SGH is positioned
to serve and support
our customers
in this strong
production cycle.

ANNUAL REPORT 2015

SGH | Industrial Services, Media, Energy and Investments

ABN 46 142 003 469

Seven Group Holdings Limited
ABN 46 142 003 469

Repositioning our operations to remain competitive, customer focused and capable of delivering long-term value for shareholders.

Our customers' drive for increased efficiency has resulted in SGH sharpening its focus on controllable costs and ensuring we maintain a valuable customer proposition.

Industrial Services

Challenging commodity prices and an emphasis on cost management by customers has lowered demand for the Group's equipment. However, continued cost base refinements coupled with investments in productivity improvements position the Group's industrial services businesses for growth in product support. PAGE 14

100% (Australia)

WesTrac CAT

100% (China)

WesTrac 威斯特 CAT

46.4%

coateshire

100%

ALLIGHTSYKES

Media Investments

Seven West Media delivered its eighth consecutive year of television ratings dominance with an advertising revenue share of 40.0 per cent for the twelve months ended 30 June 2015. PAGE 22

40.9%

7 TWO | 7mate

Pacific magazines

20%

YAHOO!7

Other Investments

The Group's listed investment portfolio provided a pre-tax total return of 13.0 per cent for the year, outperforming the comparative ASX200 return by 5.7 per cent. It remains a strong store of value capable of being leveraged by the Group. PAGE 26

Listed Portfolio

- Carrying value at 30 June 2015 : $1,097.6m

Property Portfolio

- Direct property investments
  - Carrying value at 30 June 2015: $34.2m
  - Kings Square development, Perth WA
  - Dianella studios, Perth WA
- Indirect property investments
  - Carrying value at 30 June 2015: $32.0m
  - Invested in unlisted property trusts (Revy Investments – 25% and Flagship – 47%)

Energy

SGH is moving purposefully ahead with plans to build a meaningful presence in oil and gas exploration and development, focusing on high quality energy opportunities that will add long term shareholder value. PAGE 28

Australian Assets

- Longtom field (100% ownership), Gippsland Basin VIC
- Crux field (15% ownership), Browse Basin WA
- Echuca Shoals exploration permit (100% ownership), Browse Basin WA

Overseas Assets

- Bivins Ranch (11% ownership), Texas USA

CHAIRMAN'S LETTER

Seven Group Holdings has operated in a tough and challenging environment in the past financial year, but we worked diligently to reposition our operations so they remain competitive, customer focused and capable of delivering long-term value for shareholders. Our work is ongoing.

Kerry Stokes AC
Executive Chairman

The Group's industrial services operations, which include WesTrac Australia, WesTrac China, Coates Hire and AllightSykes, have adjusted their respective business models to meet the changing dynamics of the market, as customers strive to improve efficiencies and increase production volumes. We shouldn't lose sight of the fact that Australia is producing and exporting record volumes of iron ore in Western Australia and coal in New South Wales. SGH is well positioned to service and support our customers in this strong production cycle and create long-term value for the Group. We have made significant changes to our businesses but further refinement is required.

The markets in Australia and China have been extremely challenging as we have come off the biggest mining expansion boom in history to be replaced by the biggest production ramp-up we've ever known. While it was disappointing that our statutory net loss after tax of $359.1 million for the year was due to a number of one-off write downs to the carrying value of our assets, our underlying EBIT of $314.5 million was within the guidance that we provided in February and we maintained a fully-franked dividend. Our businesses are robust and well positioned to take advantage of future opportunities, particularly, our WesTrac operation.

The conglomerate structure of SGH also allows us to allocate capital effectively to different parts of the Group and, where appropriate, to ensure our operations can derive synergies by cooperating and saving costs. The strength of SGH's businesses can be gauged by the successful completion of a group-wide $2.5 billion refinancing program in the financial year in a difficult market, which provided certainty for all our businesses, and we're about to embark on a further buy-back of our stock, demonstrating the value we see in the business.

We moved with our customers through a commodity price boom, led by the prices of coal and iron ore spiking to unprecedented highs, resulting in a huge re-investment boom in Australia, to the current record levels of production and we continue to work closely to support their drive for more efficient operations.

This drive for increased efficiency has resulted in SGH sharpening its focus on our controllable costs and ensuring the value proposition for our customers. We've been decisive in taking action to meet these challenges. We continue to maintain an efficient capital structure, giving us the flexibility to fund our existing businesses and invest in new opportunities that arise to provide additional income streams.

The establishment of our energy division is a good example of utilising our capital structure to fund the establishment of a new operation that will be an important generator of future earnings and shareholder value.

All of our businesses have streamlined their cost base and workforce; we're achieving enhanced technical productivity by utilising the most advanced systems; and we're working creatively with our partners and suppliers to capture savings. In repositioning our businesses we are ensuring that our operations will remain highly relevant and deliver long-term value for shareholders.

Seven West Media is in an industry that is undergoing significant change due to the digital revolution, but we believe free-to-air TV is still the best way to reach a mass audience and there is a continual focus on how we innovate.

Our WesTrac business enjoys a large installed base of mining and construction equipment and our parts and service offering continues to effectively support our customers' aim to keep their machines working around the clock to maximise production targets and as a result reduce our customers costs. We're also working closely with Caterpillar to look at ways to improve the costs of delivering parts and product solutions to companies, and we're already seeing the profound benefits of WesTrac's implementation of its S3 program that will be completed in FY16 and which standardises processes and delivers increased quality and outcomes. Investing in SAP HANA will allow WesTrac to achieve additional savings and productivity gains as well as drive deeper integration through the use of data and analytics with our major mining customers.

Seven West Media is in an industry that is undergoing significant change due to the digital revolution, but we believe free-to-air TV is still the best way to reach a mass audience and there is a continual focus on how we innovate. Seven Network is Australia's most watched broadcast television platform producing market leading content and with a roster of world-class sporting events. We will continue to fuel new growth by monetising our content in new ways and building new digital businesses. Our belief in Seven West Media is evidenced in our support of the early conversion of our convertible preference shares, which increased our shareholding in the company.

I'd like to pay tribute to Don Voelte AO who transitioned from Seven West Media to assume the role of Managing Director & Chief Executive Officer of SGH in 2013. Don, who is also relinquishing all his directorships within the Group, provided seven years of service, starting with joining the board of West Australian Newspapers in 2008. His deep corporate experience is recognised globally, and his outstanding leadership has contributed greatly to the Group in many different areas.

Given Don's departure, it was the role of the Board to appoint a new Managing Director & Chief Executive Officer who could best navigate these tough times and continue to set the business for future growth. We chose Ryan Stokes because of his leadership qualities and deep experience and understanding of the Group and its operations over a 15-year period. His proven record of constructively deploying capital through his effective management of our investment portfolio to deliver shareholder returns and financial flexibility, and his ability to motivate and work decisively with management as Chief Operating Officer, provides the Board with a leader capable of making the best decisions in the interests of all shareholders.

We've also continued the ongoing process of Board renewal. During the last financial year, we were fortunate to secure the services of The Hon Warwick Smith AM and David McEvoy, both joined the Board as Non-Executive Directors.

Our assets are market leaders, our management teams are strong, and our capital position remains robust and alive to potential opportunities to deliver shareholder value. We have become market leaders in the fields in which we work – construction and mining machinery sales and service, media and equipment rental – because we invest in our businesses with leading infrastructure and delivery processes and we provide our customers with the best products coupled with the best service. We remain focused on prudent capital management.

I would like to thank our management teams across our operating businesses and the SGH team. Together with the approximately 4,500 employees who continue to adapt to the ever changing environment and ensure our businesses remain strong and competitive. The Board and I appreciate your efforts, commitment and contribution to reposition the Group for the next phase of profitable growth.

On behalf of the Board I thank you, our shareholders, for your continuing support and commitment to your Company.

FIVE-YEAR RESULTS

	2015 $m	2014 $m	2013 $m	2012 $m	2011 $m
Revenue	2,779.6	3,088.2	4,751.6	4,467.4	3,162.8
Underlying results:					
EBITDA	376.6	422.5	686.0	629.8	420.8
EBIT	314.5	374.4	622.8	553.1	353.0
Profit before tax	230.9	302.2	514.0	440.1	298.0
Profit after tax	204.3	253.2	398.9	343.2	248.3
Statutory results:					
(Loss)/profit before tax	(650.1)	310.7	622.9	132.8	32.4
(Loss)/profit after tax	(359.1)	262.5	488.6	176.7	79.9
Underlying EPS	$0.59	$0.74	$1.20	$0.98	$0.67
Statutory EPS	$(1.29)	$0.77	$1.49	$0.43	$0.12
Operating cash flow per share	$0.97	$0.81	$2.73	$(0.37)	$(0.09)
Full year fully franked dividend per share	$0.40	$0.40	$0.40	$0.38	$0.36

BUSINESS MODEL

Seven Group Holdings Limited (SGH) is a leading Australian diversified investment and operating group with market leading businesses and investments in industrial services, energy and media.

The Group's core operations are in the industrial services sector with WesTrac Group's Caterpillar dealerships in Australia and China, a 46 per cent interest in Coates Group Holdings Pty Limited (Coates Hire) and ownership of Allight Holdings Pty Limited (AllightSykes). The Group's primary investment in media is a 41 per cent shareholding in Seven West Media Limited (SWM), Australia's leading listed national multi-platform media business.

In addition to the above operating businesses in industrial services and media, SGH has a sizeable investment portfolio of listed securities, direct and indirect property interests. Furthermore, the Group's energy investments continue to grow, with its 11 per cent interest in the Bivins Ranch oil field in Texas, USA and acquisition of Nexus Energy in December 2014.

SGH adopts a disciplined, value-driven methodology of investment selection, with potential investments assessed against a framework of:

- asset quality (growth sectors that offer a comparative advantage)
- ability to add value beyond the contribution of capital through the leveraging of existing assets, relationships and expertise
- return on investment that exceeds the Group's cost of capital
- enhancement of portfolio diversification
- acceptable risk profile
- acceptable implied opportunity cost

Detail of the financial performance and outlook of SGH's key operating segments is provided in the "Review of Businesses" section.

Group Business Model

Industrial Services

WesTrac Australia

› Controlled business
› SGH ownership: 100%
› Industry: Mining and construction equipment
› FY15 Revenue: $2,120.0m
› Segment assets: $1,516.2m
› **Strategic Position:** #1 equipment solution company in WA and NSW/ACT

WesTrac China

› Controlled business
› SGH ownership: 100%
› Industry: Mining and construction equipment
› FY15 Revenue: $555.7m
› Segment assets: $705.8m
› **Strategic Position:** One of the leading equipment solutions companies in China

Coates Hire

› Joint venture
› SGH Ownership: 46.4%
› Industry: Industrial and general equipment hire
› FY15 Revenue: $919.3m
› Segment assets: $291.7m
› **Strategic Position:** #1 Australian equipment hire company

AllightSykes

› Controlled business
› SGH ownership: 100%
› Industry: Industrial lighting, pumps, generators and engines
› FY15 Revenue: $82.5m
› Segment assets: $45.9m
› **Strategic Position:** Supplies one of the world's broadest ranges of lighting towers, pumps, generators, engines and compressors

Media

Seven West Media

› Associate
› SGH ownership: 40.9%
› Industry: Diversified media
› FY15 Revenue: $1,776.8m
› Segment assets: $702.8m
› **Strategic Position:** Australia's largest diversified media company

Other Investments

Property

› Legacy property assets from Seven Network
› Principal assets include Kings Square and Dianella developments
› Indirect assets include investments in unlisted property trusts Revy and Flagship
› Current carrying value at 30 June 2015 is $66.2m

Investments

› The investment portfolio is a store of value and liquidity
› High yielding, generating franking credits for the benefit of the Group
› Weighted average Beta of approximately 0.93 (Bloomberg)
› $3.0m of net realised and $31m of unrealised economic gains generated during FY15
› Cumulative unrealised gains of $216.4m currently reflected in reserves
› Portfolio continues to outperform the S&P/ASX 200 since inception in FY10

Energy

Energy

› New operating segment of SGH
› Diversified resource base with exploration, development and production activities in WA, VIC and USA
› Segment assets: $475.3m
› **Strategic Position:** Leveraged to rising gas demand on Eastern seaboard and LNG opportunities in Asia

FINANCIAL PERFORMANCE

	As reported		Significant items[a]		Underlying trading performance[b]	
	2015 $m	2014 $m	2015 $m	2014 $m	2015 $m	2014 $m
Revenue	2,779.6	3,088.2	–	–	2,779.6	3,088.2
Total other income	185.6	148.3	(59.0)	(43.7)	126.6	104.6
Share of results from equity accounted investees	(377.4)	103.6	457.5	0.9	80.1	104.5
Impairment of equity accounted investees	(99.3)	(42.2)	99.3	42.2	–	–
Total expenses excluding depreciation and amortisation	(3,009.2)	(2,886.7)	399.5	11.9	(2,609.7)	(2,874.8)
(Loss)/profit before depreciation and amortisation, net finance costs and tax	**(520.7)**	**411.2**	**897.3**	**11.3**	**376.6**	**422.5**
Depreciation and amortisation	(62.1)	(48.1)	–	–	(62.1)	(48.1)
(Loss)/profit before net finance costs and tax	**(582.8)**	**363.1**	**897.3**	**11.3**	**314.5**	**374.4**
Net finance costs	(67.3)	(52.4)	(16.3)	(19.8)	(83.6)	(72.2)
(Loss)/profit before tax	**(650.1)**	**310.7**	**881.0**	**(8.5)**	**230.9**	**302.2**
Income tax benefit/(expense)	291.0	(48.2)	(317.6)	(0.8)	(26.6)	(49.0)
(Loss)/profit for the year	**(359.1)**	**262.5**	**563.4**	**(9.3)**	**204.3**	**253.2**
Earnings Per Share (EPS)						
Ordinary shares						
Basic earnings per share ($)	$(1.29)	$0.77			$0.59	$0.74
Diluted earnings per share ($)	$(1.29)	$0.77			$0.59	$0.74

(a) further detail regarding the nature of significant items is contained in Note 3 of the Annual Report.

(b) underlying trading performance is comprised of reported results less significant items and is separately disclosed and reconciled to statutory performance to assist users in understanding the financial performance of the Group.

The Group incurred a statutory net loss after tax for the year of $359.1 million, representing a $621.6 million reduction in the $262.5 million net profit after tax delivered in FY14. The Group's statutory net loss was predominantly driven by non-cash impairment provisions recognised in relation to Seven West Media, WesTrac China, AllightSykes, Coates Hire and the listed investment portfolio which totalled $720.8 million on a pre-tax basis.

Underlying earnings before interest and taxation (EBIT) excluding the earnings contribution for SGH Energy (formerly Nexus Energy) for the year was $319.5 million, down 15 per cent on FY14 and in line with the Group's earnings guidance for FY15 provided at the AGM.

Commodity prices in USD have continued to come under pressure with iron ore and coal down 37 per cent and 20 per cent respectively on FY14. Our industrial services businesses have been directly impacted with major customers responding to commodity price pressure by reducing capital expenditure and seeking to lower operating costs. This has required our businesses to respond accordingly to meet the challenges of a cyclical downturn in the industrial services businesses.

Despite this, the Group's robust operating cash flow generation, coupled with its strong financial position and support from debt capital markets ensure the Group is well positioned to capitalise on future growth opportunities.

The Group's businesses are committed to continued refinement of their cost base to ensure they remain market competitive and are positioned to capture the opportunities of this production boom.

REVENUE AND OTHER INCOME

Total Group revenue of $2,779.6 million was down 10 per cent on the prior year, predominantly driven by the continued decline in product sales revenue in WesTrac Australia as the Australian mining sector transitions from the investment to production cycle. The $504.5 million decrease in product sales revenue was partially offset by a $177.7 million increase in higher margin product support revenue as the conversion of maintenance opportunities from product sales seeded in prior periods begins to be realised. Product support revenue now represents 60 per cent of total revenue, up 12 per cent on the prior year of 48 per cent revenue split.

FY15 saw the Group's inaugural recognition of revenue from the sale of gas and condensate through its 11.2 per cent interest in the Bivins Ranch oil field in Texas, USA and wholly-owned interest in SGH Energy (formerly Nexus Energy) acquired on 31 December 2014. Whilst the $21.4 million revenue from sale of gas and condensate for the year was adversely impacted by weakness in global oil prices and the shut-in of the Group's Longtom well in the Gippsland Basin in June 2015, the Group remains positive on the long term oil and gas pricing outlook.

The Group's other income rose 25 per cent to $185.6 million for FY15, benefiting from strong dividend income earned on its listed investment portfolio which provided a cash yield of 5.2 per cent or 8.3 per cent on a post-tax basis (inclusive of franking credits). Other income was also positively impacted by the income accretion referable to the Group's convertible preference share investment in Seven West Media Limited (which were successfully converted into 265.7 million ordinary shares in June, taking the Group's interest in Seven West Media Limited to 40.9 per cent), as well as $36.5 million in gains on sale of investments as the Group took advantage of market opportunities to realise value within the listed portfolio during the year.

Share of results of equity accounted investees for the year fell $481.0 million, predominantly due to the Group recognising its proportionate share of $352.6 million in impairment write-downs and restructuring costs incurred by Coates Hire. The easing of project activity, in both the mining and liquefied natural gas (LNG) sectors, coupled with lower than expected replacement government infrastructure investment has resulted in a surplus of rental equipment in the domestic market. This has been exacerbated by contractors repatriating equipment from offshore in an attempt to generate some return from their invested capital. These market factors have put pressure on rental yields and the market for rental equipment. Competition amongst hire firms remains ferocious as many struggle to remain in business, resulting in irrational competition. Coates Hire has tackled these challenges head-on by de-fleeting approximately $300.0 million of surplus equipment and restructuring management overheads.

Also contributing to the decline in share of results of equity accounted investees for the year was the recognition of the Group's share of Seven West Media's goodwill impairment, restructuring, transaction costs and onerous contract provisions during the year totalling $408.6 million.

The Group's share of these one-off items incurred by Coates Hire and Seven West Media amounting to $556.8 million have been classified as significant items and consequently excluded from the Group's underling FY15 result.

EXPENSES

Statutory total expenses excluding depreciation and amortisation of $3,009.2 million were $122.5 million or 4 per cent higher than the previous year, largely impacted by $327.0 million in non-cash provisions recognised by the Group primarily referable to the impairment of WesTrac China and AllightSykes intangible assets, reflecting the softening in short to medium term growth outlook for these businesses. Despite this, the Group remains confident in the long term growth prospects for WesTrac China.

Excluding the non-cash impairment provisions, which the Group has classified as significant items, total expenses excluding depreciation and amortisation actually fell 7 per cent or $204.5 million as the Group's industrial services businesses continue to reduce costs in order to support operating margins as major mining customers aggressively slash costs in an extremely cost-sensitive environment.

Material cost of inventory sold and used in product sales and product support fell 9 per cent or $180.9 million compared to FY14, in line with the overall reduction in revenue as customers continue to limit capital expenditure to maintain profitability in light of weak key commodity prices.

Group employee benefits expense fell 14 per cent predominantly due to the impact of headcount reductions in WesTrac Australia enacted in FY14 and FY13 which saw employee numbers drop 1,465 or 33 per cent between FY13 and FY15.

Depreciation and amortisation expense increased 29 per cent or $14.0 million, negatively impacted by a reduction in the useful life of rental fleet in WesTrac China, the amortisation of customer intangibles referable to the acquisition of EMP by WesTrac China as well as the depreciation of the Bivins Ranch and Longtom oil and gas assets during the year.

Despite the inroads made across the Group during the past two years in significantly reducing its cost structure to deal with the low commodity price environment, the Group remains committed to further cost base refinements to ensure it is well placed to continue to meet the needs of customers and maintain and grow its market share.

This is typified by site consolidation in WesTrac in Western Australia providing an opportunity to increase velocity of its services business and better utilised technical staff to enhance productivity, reduce overheads and optimise supervision and management. Coates Hire is undertaking similar site consolidation, electing to close its head office in Mascot in favour of relocating management to operating branches.

NET FINANCE COSTS

Total finance income fell $11.3 million or 24 per cent compared to FY14 predominantly due to a reduction in interest earned on cash balances with the Group's average cash balance for the year decreasing $125.7 million on FY14 as the Group utilised surplus cash and a reduction in deposit rates to grow the listed investment portfolio and acquire Nexus Energy. Despite the overall reduction compared to FY14, current year finance income benefited from the recognition of $16.3 million in finance fee income relating to the provision of debt facilities to Nexus Energy prior to its acquisition by the Group. These Nexus finance fees have been separately identified as significant items and are excluded from the Group's underlying result.

Total finance costs increased slightly by $3.6 million or 4 per cent compared to FY14 and were negatively impacted by $2.5 million unwinding of discount on restoration provisions referable to the Group's oil and gas assets as well as $1.4 million in amortisation of previously capitalised borrowing costs following the successful refinancing of the Group's corporate syndicated facility during the year.

INCOME TAX

Income tax benefit for the year of $291.0 million was positively impacted by $142.3 million attributable to the Group's successful settlement of an outstanding income tax objection with the Australian Taxation Office (ATO) relating to the tax cost base of assets on formation of the Seven Group Holdings Limited in May 2010.

Excluding the above $142.3 million ATO settlement as well as the income tax impact associated with significant items during the year, the Group's effective tax rate of 11.5 per cent is 4.7 per cent lower than the 16.2 per cent for FY14, largely reflecting the positive contribution of franked dividends representing a higher proportion of the Group's taxable income.

SIGNIFICANT ITEMS

Significant items contributed a net loss after tax of $563.4 million to the Group's statutory result for the year and are largely non-cash in nature. The significant items are excluded from the Group's FY15 underlying result for FY15 and are summarised below:

Significant items ($m)	2015	2014
(Loss)/gain on sale of other investments and mark-to-market of derivatives	(5.5)	39.5
Impairment reversal/(impairment) – SWM equity	14.7	(42.2)
Impairment – Coates Hire	(114.0)	–
Impairment – other	(337.4)	–
Restructuring, redundancy and other costs	(20.1)	(10.2)
Share of equity accounted investees' significant items	(457.5)	(0.9)
Other items	22.5	2.4
Significant items – EBIT	**(897.3)**	**(11.4)**
Net finance income	16.3	19.8
Tax benefit relating to ATO formation valuation settlement	142.3	–
Tax benefit relating to significant items	175.3	0.9
Significant items – NPAT	**(563.4)**	**9.3**
Statutory NPAT	**(359.1)**	**262.5**
NPAT excluding significant items	**204.3**	**253.2**

Following is a reconciliation of the Group's statutory to underlying result by segment:

2015 Earnings summary ($m)	Total Group	WesTrac Australia	WesTrac China	AllightSykes	Coates Hire	Media Investments	Energy	Other Investments	Other
Statutory EBIT	**(582.8)**	**161.3**	**(214.1)**	**(79.8)**	**(155.0)**	**(290.4)**	**(13.9)**	**8.2**	**0.9**
Add: unfavourable significant items									
Restructuring, redundancy and other costs	20.1	7.0	–	–	–	–	13.1	–	–
Loss on sale of investments	33.5	–	–	–	–	–	–	33.3	0.2
Impairment – Coates Hire	114.0	–	–	–	114.0	–	–	–	–
Impairment – other	794.9	–	237.6	73.4	48.9	408.6	–	26.4	–
Mark-to-market on derivatives	8.5	–	–	–	–	–	–	8.5	–
Less: favourable significant items									
Gain on sale of investments	(36.5)	–	–	–	–	–	–	(36.5)	–
Other items	(22.5)	–	–	–	–	–	–	(0.9)	(21.6)
Impairment reversal – SWM equity	(14.7)	–	–	–	–	(14.7)	–	–	–
Total significant items – EBIT	897.3	7.0	237.6	73.4	162.9	393.9	13.1	30.8	(21.4)
Segment EBIT	**314.5**	**168.3**	**23.5**	**(6.4)**	**7.9**	**103.5**	**(0.8)**	**39.0**	**(20.5)**

CASH FLOW

Despite the $45.9 million or 11 per cent reduction in the underlying earnings before interest, depreciation and amortisation (EBITDA) to $376.6 million for FY15, the Group's net operating cash flows increased $42.2 million or 17 per cent as WesTrac Australia and China continue to focus on optimising working capital levels through careful inventory and debtor management. This is further demonstrated in the Group's EBITDA to operating cashflow conversion rate of 93 per cent which although lower than the 106 per cent of FY14, remains high.

Net investing cash outflows of $261.1 million for FY15 improved $126.6 million on FY14, predominantly attributable to the Group's divestment of its remaining interest in Agricultural Bank of China during the year, realising a $29.7 million gain on sale. Payments for purchase of intangible assets of $22.4 million relates to WesTrac Australia's investment in SAP HANA through its S3 Program (Simplification, Standardisation and Scalability), phase 1 of which completed in FY15. The S3 Program once completed in FY16, is estimated to generate annual cost savings of $38.3 million, and will enable WesTrac Australia to improve service to customers through increased efficiency of business processes technical productivity and data analytics.

Significant investing cash flows during FY15 also include the Group's successful acquisition of Nexus Energy Limited (now SGH Energy) for $47.7 million (net of cash acquired of $14.6 million) via a deed of company arrangement (DOCA) in December 2014, as well as the acquisition of 19.9 per cent stakes in Beach Energy and Drillsearch Energy, demonstrating the Group's ability to deploy its capital in a disciplined and decisive manner.

Integration of SGH Energy into the Group is well underway, with the certainty of funding provided to the company as a result of the DOCA enabling the continued investment in Longtom and Crux. The Group's $72.1 million payment for production, development and exploration expenditure during FY15 reflects the Group's commitment to build a third operating arm in energy, through its investments in the Bivins Ranch oil field in Texas USA and Longtom and Crux in Australia.

The Company acquired and subsequently cancelled 6.4 million shares at a cost of $40.3 million, completing its initial share buy-back program in December 2014. In total, 11.9 million shares were acquired during the share buy-back at an average cost of $7.09/share. A second share buy-back program was announced in February 2015 as part of the Group's ongoing capital management and strong belief that the Company's intrinsic share price far exceeds its FY15 and current trading levels.

FINANCIAL POSITION

Net assets fell $333.3 million to $2.8 billion with the Group negatively impacted by adverse share price movements in Seven West Media as well as the recognition of non-cash impairment provisions relating to WesTrac China, AllightSykes and Coates Hire.

Trade and other receivables fell $146.9 million, reflecting the softer sales levels in WesTrac Australia, however was predominantly due to the receipt of $60.0 million in cash collateral previously provided in favour of Santos Offshore Pty Ltd as security for the supply of gas by SGH Energy, and the utilisation of $28.5 million in cash collateral due to the settlement of equity derivative positions.

Inventories increased $72.6 million as WesTrac China looks to build power systems stock to fulfil a major contract with a Tier One Chinese bank to provide stand-by generator capability for data warehousing in FY16.

Current other financial assets reduced to nil during the period as the Group successfully acquired Nexus Energy Limited, with all loans receivable (including capitalised interest and fees) converted into equity on effectuation of the DOCA in December 2014.

Investments accounted for using the equity method fell $188.0 million to $983.9 million at 30 June 2015. The reduction for the year was predominantly attributable to the increase in the Group's interest in Seven West Media following early conversion of the convertible preference shares being negated by further non-cash impairment provisions recognised due to the adverse movement in Seven West Media's share at 30 June 2015. Also contributing to the reduction in investments accounted for using the equity method for the year was the recognition of the Group's proportionate share of Coates Hire's statutory net loss which included $352.6 million in impairment write-downs and restructuring costs.

Non-current other financial assets fell $91.6 million to $1,140.9 million with positive fair value movements and net additions to the Group's listed investment portfolio due to the acquisition of 19.9 per cent interests in Beach Energy and Drillsearch Energy offset by the Seven West Media convertible preference shares now recognised in investments accounted for using the equity method following their early conversion.

Oil and natural gas assets increased $376.3 million to $447.0 million, with the Group now wholly-owning the Longtom and 15 per cent interest in Crux gas assets in the Gippsland and Browse Basins respectively on acquisition of Nexus Energy in December 2014. The Group also benefitted from its 11.2 per cent interest in the Bivins Ranch asset in Texas USA being positively impacted by the movement in the AUD–USD exchange rate which closed at 0.7680 at 30 June 2015 (FY14: 0.9420).

Intangible assets fell $157.8 million to $691.4 million as the Group impaired the value of the WesTrac China and AllightSykes goodwill and distribution networks due to reductions in the short to medium term growth outlook of the respective businesses. Total impairment provisions of intangible assets for the year of $300.6 million negated additions referrable to goodwill on acquisition of Nexus Energy of $25.9 million as well as the Group's investment in SAP HANA via the S3 Program.

Trade and other payables increased $46.7 million to $404.6 million as WesTrac China benefited from payments received in advance from customers and working capital is closely managed across the Group.

Deferred income increased $46.0 million to $185.4 million predominantly due to the receipt of progress payments during the year for WesTrac Australia's maintenance and repair contracts (MARCs) ahead of their completion.

Net deferred tax liabilities fell $262.7 million to $86.3 million predominantly due to the reduction in the carrying value of the Group's investment in Seven West Media, as well as the Company's $142.3 million formation valuation settlement with the ATO during the year which resulted in an income tax benefit due to an increase in the tax cost base of certain Seven Group Holdings (SGH) tax consolidated group assets.

Total current and non-current provisions increased $69.2 million to $135.0 million due to the Longtom and Crux restoration provisions of $114.9 million recognised on acquisition of Nexus Energy offset by a $17.4 million reduction in new equipment warranties provision in WesTrac Australia.

Total current and non-current interest bearing loans and borrowings increased by $437.6 million as the Australian dollar value of WesTrac Australia's US$570.0 million US Private Placement (USPP) notes increased due to a reduction in the AUD–USD exchange rate from 0.9420 at 30 June 2014 to 0.7680 at 30 June 2015. As the USPP notes are fully hedged, the increase in carrying value was offset by an increase in the carrying value of the Group's cross currency swaps and foreign forward exchange contracts. Also contributing to the Group's increase in interest bearing loans and borrowings for the year was the $267.0 million drawn down on the corporate syndicated facility to fund net additions to the listed portfolio and a new $40.0 million short term facility from Caterpillar.

Shareholder equity fell $334.2 million to $2,796.6 million with the $147.8 million increase in the Group's foreign currency translation and $57.5 million increase in the Group's available-for-sale financial assets reserves (due to favourable movements in the AUD–USD exchange and closing listed share prices at 30 June 2015 respectively) only partially offsetting the reduction in contributed equity as a result of the Company's share buy-back and decrease in retained earnings attributable to the Group's current year statutory net loss after tax and ordinary and TELYS4 dividends paid.

NET DEBT AND CAPITAL MANAGEMENT

Net debt increased $275.2 million to $1,344.6 million at 30 June 2015 as the Group utilised free cash flow and undrawn corporate debt facilities to make net investments through the acquisition of Nexus Energy and building of strategic positions in Beach Energy and Drillsearch Energy. Although the Group's gearing ratio increased to 32.4 per cent at 30 June 2015 (FY14: 25.4 per cent), the liquidity of the Group's $1.1 billion listed investment portfolio means that net debt is effectively minimal.

At 30 June 2015, the Group had cash and available undrawn debt facilities totalling $1.3 billion, up from $1.1 billion at 30 June 2014. Furthermore, approximately 70 per cent (FY14: 84 per cent) of the Group's drawn debt facilities is fixed with average tenor of 5.1 years, slightly less than the 6.1 years of FY14.

During the year, Coates Hire was successful in refinancing its $1.2 billion syndicated debt facility, while SGH increased the size of its corporate syndicated facility to $900.0 million. The $2.1 billion in total debt refinancing undertaken across the wider Group, with the SGH corporate syndicated facility also negotiated with more favourable pricing and tenor, demonstrates the strong ongoing relationship the Group enjoys with its banking syndicate.

Subsequent to 30 June 2015, the Company was also successful in refinancing its $431.0 million Bucyrus acquisition debt facility with Caterpillar Finance Australia, negotiating improved terms as the Group continues to leverage its close relationship with Caterpillar to optimise its operational and funding costs.

In December 2014, SGH completed its initial share buy-back program originally announced in December 2013. During FY15, SGH acquired and subsequently cancelled 6.4 million shares at a cost of $40.3 million or average cost of $6.28 per share. In total, 11.9 million shares were acquired during the share buy-back between FY14 and FY15 at a total cost of $84.4 million, or average cost of $7.09 per share.

A second share buy-back program of up to 17.7 million or 5.97 per cent of the Company's total issued shares was announced in February 2015 as part of the Group's ongoing capital management and strong belief that the Company's intrinsic share price exceeds its FY15 and current trading levels. Subject to market conditions and trading volumes, this second share buy-back program is due to be completed by March 2016.

SGH continues to pay fully-franked dividends on both its ordinary and TELYS4 shares, with the final ordinary dividend of $0.20 per share payable in October 2015, taking the Company's dividend payout ratio to 68 per cent of underlying EPS (FY14: 54 per cent).

Whilst SGH does not disclose a formal dividend policy, decisions regarding future dividend payout ratios and franking levels will be made with regards to the Group's medium term underlying profitability, Australian tax payable position, total number of ordinary shares on issue and alternative investment opportunities available. Within these constraints, SGH aims to maintain and increase dividends per share over time.

OUTLOOK AND FUTURE PROSPECTS

Trading conditions in the mining and industrial services sector remain challenging with coal and iron ore prices under pressure and ongoing cost reduction initiatives being undertaken by all customers. However, Australia has entered the production phase of the commodity growth cycle and this presents significant long-term opportunities. Seven West Media sees the advertising market having low single digit growth in television, an improvement in trend for magazines and newspapers to continue current trend. The company should benefit from the broadcast of the Olympic Games and is targeting leadership in audiences.

The Group's outlook varies by markets. WesTrac Australia will benefit from maintenance opportunities as record tonnage continues to be mined. Product sales are anticipated to be weaker over the next twelve months. WesTrac China is anticipated to benefit from a shift in demand from construction to power generation. Coates Hire will be impacted by sustained weakness in mining infrastructure markets which will be partly offset by increased infrastructure demand in NSW.

At a statutory level, the Group's FY16 result is anticipated to benefit from approximately $30.0m profit (pre-tax) on the realisation of property assets, which will not form part of the underlying result.

Overall, we remain cautious about the current business environment and anticipate that underlying EBIT in FY16 will be 10% down on the current year, subject to there being no further deterioration in market conditions.


LIFEGUARD
CAT
CAT
330C

INDUSTRIAL SERVICES

Both the WesTrac Australia and WesTrac China operating businesses have been strengthened in recent years to provide each dealership with an extended product range. Their long-term partnership with Caterpillar, the world's leading equipment manufacturing company, supports them to be the customer's first choice for the provision of equipment solutions.

The drive for increased productivity by customers has driven WesTrac to become leaner, smarter and more efficient as it focuses on the large installed equipment base in its territories.

CAT EXCAVATORS AND DOZERS HELPED IN THE CLEAN UP EFFORT AFTER THE SEVERE STORMS IN APRIL 2015

WesTrac's target has been to focus on controllable costs and to ensure the value of its proposition remains compelling even in a cost-focused environment.

WESTRAC FACILITY
IN TOMAGO, NSW

WESTRAC GROUP

WesTrac Group is comprised of WesTrac Australia, the sole authorised dealer for Caterpillar equipment in Western Australia, New South Wales and the Australian Capital Territory, and WesTrac China, the sole authorised dealer for Caterpillar equipment in the north eastern China provinces of Hebei, Liaoning, Heilongjiang, Jilin, Shanxi, Inner Mongolia and the municipalities of Beijing and Tianjin. WesTrac Group provides the equipment sales, service, and technology solutions to our customers in the mining, construction, and industrial sectors.

Both the Australian and Chinese operating businesses have been strengthened in recent years to provide each dealership with an extended product range.

WesTrac Group has a strong, long-term partnership with Caterpillar, the world's leading equipment manufacturing company. WesTrac Group's strategy is to be "the customer's first choice for the provision of equipment solutions."

WesTrac Group has two main sources of revenue: equipment sales (product sales) which accounted for approximately 37 per cent (FY14: 50 per cent) of WesTrac Group's total sales for the FY15 and parts and servicing (product support) which accounted for 61 per cent (FY14: 50 per cent) of WesTrac Group's total sales.

Other revenue sources for WesTrac Group include the sale of used equipment and used parts, rental of equipment and equipment management services such as conditioning monitoring, training and education.

WESTRAC AUSTRALIA

WesTrac Australia delivered segment EBIT of $168.2 million, down 17 per cent on $202.9 million segment EBIT of FY14, driven by ongoing challenging conditions that have seen a decline in demand for new equipment by mining customers as well as a relentless industry-wide focus on costs and efficiency as they strive to boost production volumes. WesTrac Australia remains well placed through its service and parts business to participate in the industry's ongoing drive to maximise production.

WesTrac Australia's customers are grappling with changing market dynamics brought on by lower commodity prices, and they are singularly focused on maximising the efficiency and work rate of their existing fleets to drive increased production volumes. Commodity price declines have resulted in limited new mine expansions. The focus for WesTrac Australia has been to work with customers to ensure they achieve the lowest costs of production.

This drive for increased productivity by customers has resulted in WesTrac Australia's businesses becoming leaner, smarter and more efficient, particularly the services business as it focuses on dealing with the large installed base of Caterpillar equipment in New South Wales, the Australian Capital Territory and Western Australia.

WesTrac Australia's product sales were down 42 per cent on the prior year. At the same time, product support revenue increased 13 per cent to $1,536.5 million, reflecting the conversion of service opportunities from the installed equipment base.

WesTrac Australia's target has been to focus on controllable costs and to ensure the value of the proposition remains compelling even in a cost-focused environment and that we remain the preferred supplier of solutions for customers in the mining and construction industries.

Changes that have been undertaken at WesTrac Australia in the past two years, and which are ongoing, have established the business to fully participate in servicing customers who are focused on maximising production. Stronger relationships between customers and sales staff are being forged, with WesTrac Australia offering complex value propositions such as component life guarantees. Customers want more tailored services that deliver lower cost whole of life asset ownership and more streamlined business processes.

In the current environment, WesTrac Australia is focused on partnering with customers so they can optimise their fleets. WesTrac Australia's goal, through increased spending on new technology, training and processes, is to better engage with customers and ensure we understand their needs and can deliver the highest level of service in a responsive and cost-effective manner.

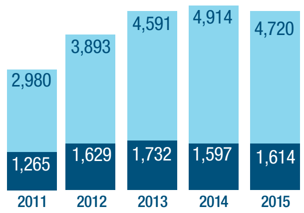
It should also not be underestimated that service and parts are essential in the mining and construction industries: Australia is one of the world's leading engine rooms for raw materials that are shipped to other countries so they can build better lives for their citizens. According to the Department of Industry and Science, Australia will export 824 million tonnes (mt) of iron ore in calendar year 2016, up from 717mt in 2014; and 189mt of metallurgical coal in 2016, up from 186mt in 2014; and 205mt of thermal coal in 2016, up from 201mt in 2014.

WesTrac Australia's parts business has doubled from what it was 4 years ago and will continue to underpin the WesTrac Australia operation and other business initiatives. The increased inventory held by WesTrac Australia is permitting customers to optimise their working capital as WesTrac Australia lifts its delivered in-full, on-time percentage to world standards.

An example of WesTrac Australia responding to these changing customer needs is the ongoing review of its operating locations to ensure the satisfaction of customer requirements in the most cost effective and efficient manner. To that end, the South Guildford Parts distribution centre investment has been specifically designed to provide faster turnaround times and lower costs for customers.

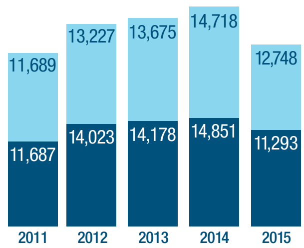
Equipment Population (Mining)

NSW Mining WA Mining



Equipment Population (Construction)

NSW Construction WA Construction



	Value of parts inventory ($m)	# of lines per day picked and shipped (average)	Delivered on-time (%)
2015	71.0	7,753	95
2011	39.0	3,867	89

AUTOMATED WAREHOUSING SYSTEM, TOMAGO NSW

WesTrac Australia ($m)	2015	2014	% Change
Product sales	566.4	984.5	(42)
Product support	1,536.5	1,365.2	13
Other revenue and other income	48.0	51.2	(6)
Total revenue and other income	**2,150.9**	**2,400.9**	**(10)**
Segment EBIT	168.3	202.8	(17)
Segment EBIT margin	7.8%	8.4%	n/a

The review of operating locations is ongoing, and in FY16 WesTrac Australia will have a number of site consolidation activities and investments across both Western Australia and New South Wales. These will continually improve WesTrac Australia's response to customers' needs through a deeper understanding of their requirements and ensure that the locations are fully resourced so faster turnaround times can be delivered to customers. This will also allow leaner work practices through our service shops, increasing the technical productivity of our service work force.

WesTrac Australia is also looking to work more closely with sister company Coates Hire, the nation's largest integrated equipment hire company, so that customers can be cross-supported and to ensure that staff are in tune with the needs of customers. Overheads have also been streamlined and efficiencies delivered in the logistics and warehousing arms of the business along with rationalising the number of sites in which we hold inventory, increasing inventory turn and optimising logistics.

Restructuring and redundancy costs were $1.4 million in FY15. Total headcount has now been reduced by 33 per cent, or 1,465 full time employees, in the past two years. The FY15 restructuring and redundancy program is anticipated to deliver annual cost savings of $5.9 million. We will continue to optimise the investment in the S3 program that will deliver savings and drive further efficiencies.

In New South Wales, the impact of lower commodity prices has resulted in WesTrac Australia's revenue declining by 50 per cent since 2013 as miners work equipment harder to boost volumes. Total overheads have been cut by about $70 million, or 30 per cent, and personnel reduced by almost 700 workers to 1,050.

Despite the reduced headcount, WesTrac Australia has maintained customer facing roles and the sales force has been largely untouched together with an unchanged branch network.

Central to WesTrac Australia's ongoing emphasis on the customer is the S3 program (simplification, standardisation and scalability), which provides an excellent opportunity for WesTrac Australia to standardise its processes and deliver a more consistent quality and cost outcome for customers. The major activity has been our SAP HANA implementation.

Phase 1 of the program focused on finance, HR and procurement and cost $21.0 million and was completed in FY15. Phase 2 of S3 will change sales processes, including centralising dispatch for customers' mobility of data and applications and increasing automation of processes. The S3 program, when completed in FY16, will generate annual savings of $38.3 million.

As previously stated, a major component of the S3 program is the delivery of a new operating system and a data and analytic capability platform that enables WesTrac Australia to improve service to customers through increased efficiency of business processes and operations. Investing in SAP HANA will allow WesTrac Australia to drive an improvement in technical productivity over the next 12 months and allow better integration with our key mining customers, the majority of which are already migrated to this platform.

The goal of utilising technology is to better allow customers to manage and prolong the life of their equipment. WesTrac Australia is a leader in identifying and providing services to customers such as autonomous trucks and the Equipment Care Adviser, the next generation of oil and reliability analysis utilising high-level data analytics and predictive maintenance techniques.

Major projects being undertaken in New South Wales including the WestConnex motorway, M1-M2 Link and North West Rail Link, combined with a pickup in residential construction activity, are generating additional inquiries that may help counter-balance the downturn in sales to the mining sector.

The weaker Australian dollar has also provided a buffer to the current situation but not enough to drive new investment decisions. WesTrac Australia will continue to develop initiatives that deliver excellence in product support, improved customer service and more effective operations.

MR R STOKES ADDRESSING WESTRAC CHINA STAFF AFTER THE ORGANISATION RESTRUCTURE

WESTRAC CHINA

WesTrac China delivered segment EBIT of $23.6 million, an increase of 13 per cent on the segment EBIT of $20.8 million in the prior year as the company focused on driving efficiencies and costs in the current market.

The ongoing profitability of WesTrac China has been achieved in an extremely competitive market. Sales of excavators are down to levels not seen since 2003, with year-on-year decline of around 45 per cent in the provinces in which we operate. The market contraction in the construction equipment since 2012 follows the conclusion of the stimulus initiatives in the economy as the government brought forward infrastructure projects and investment. Despite the reduction in the market, WesTrac China has continued to grow the market share of this revenue stream.

To remain competitive and profitable, as well as more responsive to customers, an ongoing focus on better positioning the WesTrac China business and streamlining management has been undertaken. This has reduced the overall workforce by around 10 per cent and delivered cost savings in the last fiscal year of approximately $10 million.

The recognition of the Caterpillar brand in China has helped drive business. This is a significant testament to the ongoing changes that have been made over a number of years at WesTrac China. Still, it is not sufficient just to offer a Tier 1 product as customers are also seeking the lowest total cost of ownership in their purchasing initiatives.

At a time when China is experiencing one of the most profound demographic shifts in history, WesTrac, with a balanced product mix, is well placed to be part of this transformation and to play a leading role in the ongoing urbanisation of China. Projects such as the manufacturing of offshore oil rigs that require market leading engines capable of withstanding extreme weather conditions, and stand-by power for critical urban data centres are delivering WesTrac with new revenue streams and reflect the industrialisation of China.

We can sometimes forget that it took China just 30 years to climb from 20 per cent urbanisation to 54 per cent. By 2030, China's urbanisation is expected to reach around 70 per cent, shifting a further 300 million people into urban environments and creating significant demand for additional infrastructure as a new middle class is established enjoying better standards of living.

WesTrac China (US$m)	2015	2014	% Change
Product sales	366.8	472.0	(22)
Product support	92.7	94.3	(2)
Other revenue and other income	13.0	4.9	>100
Total revenue and other income	**472.5**	**571.2**	**(17)**
Segment EBIT	19.7	18.0	9
Segment EBIT margin	4.2%	3.2%	n/a

Skill levels of WesTrac China's workforce are being increased and new sales departments created to capture work undertaken by State Owned Enterprises (SOEs) as part of the urbanisation of provinces. These new sales teams will focus on the largest SOEs and aim to be involved in both their domestic and overseas projects.

SOEs will also be the agents that deliver on the government's "One Belt and One Road" initiative that refers to a new economic belt around the old Silk Road connecting China to Europe through central Asian states and the Middle East.

The estimated investment spending relating to the "One Belt and One Road" strategy is about 1 trillion yuan (A$167 billion), with about 30 to 40 per cent of that money likely to be spent in China.

WesTrac China has relocated sales teams to focus on work being undertaken by SOEs as part of the central government's urbanisation initiative, which aims to consolidate a number of provinces as part of plan to make Beijing the centre of a new super city of 130 million. This new region will link Beijing with the port city of Tianjin and the hinterlands of Hebei Province.

As well as adapting to this competitive landscape with an ongoing focus on efficiencies and costs, management has actively explored new growth initiatives in power generation. WesTrac China's order book for power equipment is promising, including a major contract with a Tier 1 Chinese bank to provide generator capability for data warehousing, and there is a major excavator order with an SOE in the transport sector.

Key strategies during FY16 will be to continue to strengthen WesTrac China's power business by selling a higher level of expertise and providing staff with the tools to be more engaged with customers. These changes will also assist in driving the operation's service business to be closer to the customers throughout the entire life of their equipment.

The business remains focused on the engagement and maintenance of key customer relationships and maximising established and evolving market opportunities.

WesTrac China continues to develop component rebuild capacity, leveraging its lower labour costs and partnering with WesTrac Australia to provide compelling customer propositions.

Coates Hire ($m)	2015	2014	% Change
Revenue and other income	919.3	1,095.0	(16)
Gross profit	557.0	698.2	(20)
Underlying EBITDA	309.5	431.6	(28)
Underlying EBIT	104.4	188.4	(45)
Statutory NPAT	(435.9)	39.7	>(100)

Segment result ($m)	2015	2014	% Change
Share of Coates Hire underlying NPAT	5.9	23.8	(75)
Management fee	2.0	2.5	(20)
Segment result	7.9	26.3	(70)

COATES HIRE

Coates Hire is Australia's largest integrated equipment hire company with a network of 238 branches and satellite locations. The company has a focus on the construction and infrastructure sectors.

Coates Hire is Australia's largest hirer of excavation support equipment, trench safety systems, specialist pumps, dewatering equipment and related products. The range includes equipment for compaction, access, power generation, mobile lighting and welding as well as portable buildings, commercial buildings, portable toilets, temporary fencing and containers, shoring, traffic management, confined space and laser equipment.

Coates Hire also operates in Indonesia under a division called Coates Hire Indonesia, which hires air compressors, lighting towers, compaction, pumps, welding, access equipment and related equipment to mainly mining and oil and gas companies throughout the archipelago.

Coates Hire full year underlying EBIT of $104.4 million is 45 per cent lower than the prior year as the effect of a slowdown in major infrastructure and mining projects negatively impacted the business.

Coates Hire has addressed the challenging market situation by selling more than $300 million of equipment, with plans to sell an additional $300 million of fleet over the next two years.

Importantly, Coates Hire has put in place business funding through to FY19, increasing covenant headroom to allow greater financial flexibility in these challenging times after successfully refinancing its $1.2 billion senior syndicated facility. This funding provides certainty and stability for Coates Hire to undertake future business initiatives and employ ongoing growth strategies.

As part of a strategic review completed at the end of FY15, Coates Hire has also streamlined management numbers, reducing head count by 12 per cent or 336 employees in the past two years; started to move the operation's head office from Mascot to Moorebank to lower overheads and more closely align operations and management; and positioned its 238 branch network to be more responsive to customer demands and needs, particularly during the resource production phase.

Product ranges have been extended and branches are opening longer in some precincts to provide customers with greater flexibility. The new management team at Coates Hire, led by Michael Byrne, is questioning old paradigms, particularly around transport and maintenance, providing customers with a more compelling value proposition and ensuring Coates Hire can deliver on its safety and quality commitment.

The easing in project activity, including the stalling of new mines and coming-to-conclusion of large LNG projects in Queensland, Northern Territory and West Australia, has resulted in a surplus of rental equipment in the market place. In response to these challenging conditions, Coates Hire has positioned the business for future growth by optimising its fleet and recalibrating its workforce to best meet customer needs.

The oversupply of hire equipment (in part exacerbated by contractors repatriating offshore equipment) and the slowing of new project work has resulted in business yields declining and the revenue-per-dollar spend falling substantially. Competition among rival hire firms is fierce as many struggle to remain in business, leading to bouts of irrational competition and sharply lower pricing, particularly in Western Australia.

Coates Hire, through its expansive footprint and fleet range, is well placed to benefit from an improvement in market conditions. Sales teams have been relocated to New South Wales and Victoria from other locations to capitalise on potential new business opportunities. Residential construction activity and planned government infrastructure spend in New South Wales has provided early stage work enquiries.

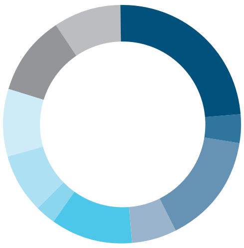
New long-term procurement arrangements with suppliers have been put in place, driving down unit costs and providing Coates Hire with a higher quality, safer and younger fleet critical to servicing customers.

As a consequence of industry risks, Coates Hire is committed to upgrading all its elevated work platforms by installing key safety features, which, while not mandatory, reflect a commitment to global industry best practice.

During the completed fiscal year, Coates Hire undertook a further restructuring and redundancy program and also impaired the carrying value of its hire fleet assets surplus to requirements to reflect their estimated sale value. Seven Group Holdings has recognised its share of the cost of the redundancy program and asset impairment.

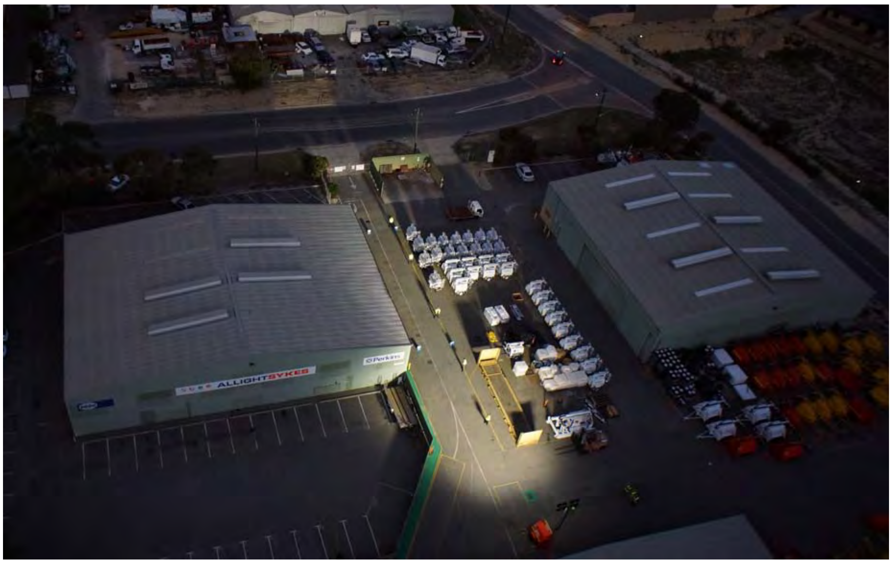
Coates Hire FY15 revenue end market split

Engineering	24%
Residential	4%
Non-residential	15%
Government	6%
Commercial manufacturing	11%
Events	3%
Industrial maintenance	8%
Mining & resources (development)	9%
Mining & resources (production)	11%
Oil & gas	9%



COATES HIRE EQUIPMENT AT BARANGAROO, NSW

The easing in project activity, including the stalling of new mines and coming-to-conclusion of large LNG projects in Qld, WA and NT, resulted in surplus rental equipment in the market. Coates Hire & AllightSykes have restructured to recalibrate to meet customers' changing needs.


NEW ALLIGHTSYKES LED TOWER LIGHTS UP THE NIGHT AT LANDSDALE, WA

ALLIGHTSYKES

AllightSykes provides lighting, dewatering, and power solutions to a wide range of mining, construction, and industrial customers in Australia and overseas. The company is a market leader in its key segments and develops innovative product solutions for these markets.

AllightSykes ($m)	30 June 2015	30 June 2014	% Change
Product sales	52.6	63.0	(17)
Product support	29.9	31.5	(5)
Other revenue and other income	0.3	0.2	50
Total revenue and other income	**82.8**	**94.7**	**(13)**
Segment EBIT	(6.4)	(2.8)	>(100)
Segment EBIT margin	(12.2)%	(4.4)%	n/a

AllightSykes continues to adjust to the impact of a prolonged downturn in investment by mining and related infrastructure sectors and has, accordingly, undertaken further rationalisation of its cost structure to establish a firm foundation for the future of the business.

AllightSykes reported FY15 trading revenue of $82.5 million, down 13 per cent due to the contraction in the mining and rental industries, most notably in Western Australia and Queensland. In response to declining income, the business remained focused on additional savings, with the goal of delivering improved and cost-effective solutions to our customers as well as leveraging the global recognition of the brand.

Initiatives undertaken by management include rationalising operating sites both onshore and offshore; improving supply chain costs; the introduction of flow-line assembly techniques; streamlining of fleets; reducing headcount to 236 as at June 2015 from 549 in 2012; and undertaking a renewed focus on leveraging the operation's national servicing network.

Looking ahead, the business will continue to utilise, where appropriate, its low-cost offshore manufacturing plants and aim to secure more attractive leasing arrangements at its main Australian locations as well as respond to demand for new products.

By competitively bidding these cost efficiency initiatives, AllightSykes has been able to conclude long-term supply contracts with key market participants, including the supply of 750 mine-spec LED towers to a major rental business over three years.

In addition, in segments where AllightSykes does not enjoy scale advantages it has been able to exclusively partner with leading manufacturers such as MSC, allowing AllightSykes to offer a comprehensive range of compelling solutions to market rentals. Talks are also continuing with a strategic overseas partner to distribute its range of dewatering pump products.

Despite the challenging conditions the business continues to focus on increasing its market share by strategically investing in sales and marketing. The lighting tower business demands innovation and AllightSykes remains a market leader in LED lighting technology.

Given the current trading environment, the focus of the business has been to ensure the provision of the right level of service at the right locations at a competitive price. An expense of $10.4 million was taken to writedown aged and slow moving inventory impacted by increased competition from low-cost imports. AllightSykes remains focused on putting in place the foundations for the future.

The impairment of $63.0 million of goodwill reflects reduced medium-term outlook for this sector and increased competition from low-cost imports.

MEDIA INVESTMENTS

Content is at the heart of Seven West Media, and as the market for quality content grows SWM is very well positioned to capitalise on this trend. SWM's goal is to meet this demand by making content available wherever and whenever audiences want to consume it.

Progress continues to be made in driving efficiencies and simplifying the operating model, resulting in further cost savings such as the integration of Seven Perth and West Australian newsrooms which is delivering significant benefits in terms of content and efficiencies.

NEW X-FACTOR TEAM, SEVEN NETWORK

Media investments ($m)	30 June 2015	30 June 2014	% Change
Share of associates NPAT:			
– Seven West Media	66.0	74.3	(11)
Other income:			
– Other investment income	37.5	28.8	30
Segment EBIT	**103.5**	**103.1**	**0**

Media Investments predominantly comprise of the Group's 40.9 per cent equity interest in Seven West Media (SWM), Australia's leading listed national multi-platform media business.

Content is at the heart of SWM, and as the market for quality content grows SWM is very well positioned to capitalise on that trend. SWM's goal is to meet this demand by making content available wherever and whenever audiences want to consume it. The media arm's strategy is to maintain leadership in its businesses; be leaner and more agile to changes in the operating environment without compromising quality; and fuel new growth by monetising content in new ways while building new digital businesses.

SWM's full year earnings included significant items of $2,096.5 million after tax reflecting the impairment of television, newspapers and magazines goodwill; television, newspaper and magazines mastheads and licences; equity accounted investees; restructuring costs and provision for onerous contracts. Excluding significant items, the current year profit was down 11.5 per cent on the previous year.

SWM revenue was down 4.7 per cent versus the previous year, and EBIT was down 12.7 per cent. SWM maintained a 40.0 per cent advertising revenue market share as the total advertising market grew 3.1 per cent in the financial year. Strong growth in the digital segment of advertising continues, up 17.6 per cent year on year, according to SMI data. Yahoo7's position in this market remains strong, growing 0.7 per cent in the year, due to video content delivery. Television industry advertising decreased 16 per cent, and the decline in print advertising confirmed at 10.5 per cent, although The West Australian Newspaper slightly underperformed due to the economic challenges facing the State. Pacific Magazines outperformed the industry decline in magazines, pushing for number one in that market.

Given this backdrop, Seven West Media delivered EBITDA of $407.0 million, 11.2 per cent lower than the prior year $458.2 million at an EBITDA margin of 22.9 per cent (24.6 per cent in prior year). The company's key businesses continue to maintain strong margins with television EBITDA margin of 24.6 per cent (25.7 per cent in prior year), newspapers EBITDA margin of 28.6 per cent (32.8 per cent in prior year) and magazines EBITDA margin of 10.7 per cent (10.2 per cent in prior year).

SWM continued to focus on costs, with underlying costs decreasing 2.4 per cent in the period to $1,418.4 million. Television, Newspaper and Magazine cost reductions of 1.0 per cent, 4.8 per cent and 8.0 per cent respectively were offset by other cost growth of 12.9 per cent in the year. Progress continues to be made in driving efficiencies and simplifying the operating model, resulting in further cost savings such as the integration of Seven Perth and West Australian newsrooms which is delivering significant benefits in terms of content and efficiencies.

In April, SWM announced the early conversion of the convertible preference share (CPS) together with a pro rata capital raising that allowed it to simplify its capital structure, provide greater flexibility and reduce debt. The conversion was strongly supported by institutions and approved by shareholders and was accompanied by a non-renounceable share offer. The entitlement offer raised an additional $308.2 million net of transaction costs.

SWM continues to be the leading TV network by revenue and audience and achieved its 17th consecutive half of ratings and revenue leadership. Local content continues to be the key driver of consumption and SWM maintained its position as the largest commercial producer of Australian TV content.

TELEVISION

The Seven Network – with three broadcast channels, Seven, 7TWO and 7mate – continues to lead in prime time, building on its market-leading performance. The network also dominates across breakfast and morning television.

Seven has also dominated more weeks and more primetime nights than any other network, consistently delivering the most-watched regular series on television in a highly competitive environment, including the market-dominating performance of My Kitchen Rules. This year Seven Network had 10 of the top 20 regular television programmes.

Seven ranked first on primary channels and the combined audiences of digital multiple channels across primetimes in the 2015 broadcast television season. Moreover, Seven was the most watched primary channel for total viewers in the current television year and its suite of multi-channels delivers more viewers than rivals.

Seven is also recognised as a leader in the development and production of Australian television content, growing domestic production, developing content for other networks, distributing content globally and building out a production presence in international markets.

Seven's deep commitment to sports coverage is evidenced in the new agreement with the International Olympic Committee encompassing the Games of the XXXI Olympiad in Rio de Janeiro in 2016, the XXIII Olympic Winter Games in PyeongChang in 2018 and the Games of the XXXII Olympiad in Tokyo in 2020. Seven also has all-encompassing agreements for coverage of the Australian Football League Premiership Season, the Bathurst 12 Hour Endurance Race, all major horse racing events and the Australian Open and The Davis Cup – just to name a few.

Developments in the last financial year include the launch of SWM's new Hybrid Television service. During the Australian Open Seven gave users access to every court on any device, serving up more than 4.1 million streams with 70 per cent of the streams on mobile devices. In addition to advances in content delivery, SWM is enhancing sales systems so they better connect with advertising partners.

NEWSPAPERS

The West Australian is one of Australia's best performing news-media brands. Approximately three in four West Australians access the masthead each month across print and online. Both the Monday–Friday edition and the Weekend West deliver among the highest market penetration of any Australian major metropolitan newspaper and The West Australian's online site thewest.com.au is the leading Western Australian news site (Nielsen online ratings June 2015). The West is also leveraging social audiences to drive engagement with its social footprint approximately doubling in the last 12 months. The circulation strategy continues to focus on maintaining The West's home delivery subscriber base and reducing customer churn through revised pricing and retention programs that reward subscriber loyalty. The West completed its integration of Channel 7 Perth by co-locating offices and integrating news rooms during the year. Seven now broadcasts from a virtual-set studio with state-of-the-art facilities. In a fully integrated newsroom, the only one in Australia, SWM produce a daily newspaper, commercial TV news bulletins, a public affairs show, websites and other digital products – The West Australian, The Weekend West, thewest.com.au and Seven Perth's News and Today Tonight. The Editorial Production Centre sub edits 17 regional mastheads and produces 650 pages weekly. This integrated news room will provide thewest.com.au greater access to video content, and will play a large part in SWM's digital strategy going forward. This new platform is fundamental to enhancing the digital delivery of the West, improving the editorial and publishing process allowing them to publish once and distribute to multiple devices. New growth opportunities in digital and events are key priorities for The West.

MAGAZINES

Magazine publishing remains a key element in building SWM's content and brands beyond broadcast television.

Pacific Magazines accounts for 36 per cent of magazine circulation and 50 per cent of women's weekly magazines sold in Australia and the portfolio now reaches 8.1 million Australians aged 14+ every month. Seven's magazines business is a powerful portfolio of leading titles that continue to outperform the overall consumer magazine market with advertising share growing to 31.5 per cent in FY15 versus 30.1 per cent in FY14, based on SMI data. Pacific Magazines portfolio of 15 measured titles in a market of approximately 100 titles combines to deliver the company an overall 36 per cent share of circulation and a 30 per cent share of readership.

Pacific Magazines delivered a robust revenue performance in trying conditions, improving its circulation and revenue market share as a result. Digital revenues are growing strongly but off a low base. The continued focus on cost initiatives delivered a 8.0 per cent year-on-year reduction in total costs. Due to the continuing challenges in the magazine market an impairment charge of $2,065.2 million was recorded in the financial year against the carrying value of television goodwill and licences.

The integration of Pacific Magazines key titles with Seven Network programming is yielding strong results and management remains focused on seeking further opportunities to leverage the power of these brands across the group to create new revenue opportunities and improve the monetisation of content.

YAHOO7

Yahoo7 brings together the online assets of Yahoo Inc. and the content creation and marketing strengths of Seven West Media. Engagement has grown strongly with an average 3.1 million daily active Users, an increase of 9 per cent from the prior year average. There were approximately 130 million video streams over the period up 15.0 per cent on the prior year, of which over 30 per cent were long-form content.

Mobile audiences have grown over 38 per cent in the past year to more than 1.4 million daily active users on smartphones and 0.4 million users on tablets and Yahoo7 is continuing its development of device aware experiences across web, tablet and mobile, leveraging Yahoo's global technology. Yahoo7 has secured its position in the top 4 Media Publishers ranked by Monthly Unique Audience.

OTHER INVESTMENTS

The Group's listed investment portfolio as at the end of June 2015 totaled $1.1 billion. These investments are a store of wealth allowing the Group to fund potential opportunities.

KINGS SQUARE DEVELOPMENT
IN PERTH, WA

Other investments comprise the Group's listed investment portfolio and direct and indirect property holdings through unlisted trusts.

The listed investment portfolio, overseen by Ryan Stokes, performed strongly and provides an important source of additional liquidity and store of value for the Group. The portfolio has invested in high yielding listed securities across a number of sectors providing a tax effective income stream.

In the property portfolio, the Group realised investment returns on a case-by-case basis and continued to monitor and take advantage of market dynamics. The direct property holdings in the Group totaled $34.2 million at the end of the fiscal year.

These direct property holdings include the Kings Square site and Seven Network's Dianella studio, both located in Perth. At Kings Square there are three remaining sites to be developed. One of these is expected to reach conclusion in September and there are development applications pending on two of the other sites. The Dianella location is being developed for residential development of between 80 and 100 blocks. The goal of these developments is to maximise returns with an appropriate and congruent level of development risk.

The Group's indirect holdings in unlisted property trusts include a 25 per cent stake in Revy Investments Pty Ltd, which announced plans in May to sell two buildings in Pyrmont for $176 million, including Seven Group Holdings headquarters, and a 47.3 per cent stake in Flagship, which holds an interest in the Group's Redfern TV centre and other sites. These and other unlisted property trust investments are accounted for using the equity method.

The Group's listed investment portfolio as at the end of June 2015 totaled $1.1 billion. These investments are a store of wealth, allowing the Group to fund potential opportunities when they become available. During FY15, the Group's significant investments included the acquisition of 19.9 per cent stakes in two Cooper Basin energy companies, Beach Energy and Drillsearch Energy for $269 million and $95 million respectively.

The overall value of the Group's investment portfolio increased, yielding 13.0 per cent on a total return pre-tax basis (capturing the portfolio's capital gain and dividend income combined), outperforming the ASX/200 Index which returned 7.3 per cent. This was a very solid performance in a choppy trading environment. Other investments underlying segment EBIT was $39.0 million, slightly lower than the previous year's $42.9 million.

Significant items excluded from the above underlying segment EBIT for the year included $3.0 million net gains realised on the Group's investment portfolio offset by $26.4 million impairment provisions and $8.5 million in mark-to-market of investments.

Despite the net unfavourable significant items incurred during the year, the Group has $216.4 million in unrealised gains currently recognised in reserves at 30 June 2015.

The Group will seek to grow the value of its investment portfolio by monitoring markets for investments, whilst continuing to provide a valuable store of wealth for the Group.

Other investments ($m)	2015	2014	% Change
Other income	43.4	42.0	3
Share of results from equity accounted investees	5.0	4.1	22
Total revenue and other income	**48.4**	**46.1**	**5**
Expenses (excluding interest and corporate)	(6.5)	(2.7)	>(100)
Segment EBITDA	**41.9**	**43.4**	**(3)**
Depreciation and amortisation	(2.9)	(0.5)	>(100)
Segment EBIT	**39.0**	**42.9**	**(9)**

ENERGY

Seven Group Holdings, through its Energy segment, is moving purposefully ahead with plans to build a significant presence in oil and gas exploration and development in Australia and the United States, focusing on a strategy of participating in high quality energy opportunities that will add long term shareholder value.

STENA CLYDE RIG CURRENTLY DRILLING CRUX APPRAISAL WELL IN THE BROWSE BASIN OFF THE COAST OF WA

SGH is a firm believer in the prospects of the Australian energy sector. Australia has world-class oil and gas resources and like the resource sector the expertise exists to drive innovation and world leading processes and efficiencies.

SGH is a firm believer in the prospects of the Australian energy sector. Australia has world-class oil and gas resources and the expertise to drive innovation and world leading processes and efficiencies. Australia's proximity to the Asian LNG market, where demand and pricing are attractive, represents a strong competitive advantage.

In December 2014, SGH successfully completed the acquisition of Nexus Energy Limited for $236.0 million. Nexus Energy's key assets included the Longtom field (Nexus 100 per cent) in Victoria's Gippsland Basin; the Crux field (Shell 82 per cent; Nexus Energy 15 per cent; Osaka Gas 3 per cent) in Western Australia's Browse Basin; and the Echuca Shoals exploration permit (Nexus 100 per cent) also in the Browse Basin.

Whilst this shareholder contested acquisition was more drawn out than anticipated, the disciplined approach by which the transaction was effected was ground breaking and preserved value for SGH. Furthermore, reviews undertaken by ASIC, the Administrator and the Supreme Court ultimately vindicated the means by which the transaction was undertaken by SGH and the governance put in place to manage any potential conflicts of interest.

Subsequent to the acquisition, SGH Energy has negotiated an earlier expiry of the Longtom gas sales agreement with Santos. This mitigates the obligation to commit to significant near-term investment whilst advancing the potential for further development of Longtom and other Gippsland exploration prospects assets of SGH Energy, including Gemfish, Grayling, Hussar and Longtom West, to capitalise on future energy requirements on Australia's eastern seaboard.

In June 2014, SGH acquired an 11.2% working interest in 200 square miles (517 square kilometres) of oil and gas acreage at Bivins Ranch, Texas, for US$63.7 million.

SGH Energy has participated in 13 horizontal wells to date at Bivins Ranch, which is operated by Apache Corporation, and is currently benefiting from reduced exploration and development costs as drilling activities across the US slow in line with lower oil prices.

The Crux development, in which SGH Energy sees considerable long-term value, is progressing, with drilling at Auriga having commenced. The results of the drilling, yet to be finalised, may enhance the commerciality of the project and impact the ultimate pathway to market, with production potentially within the next five years if the drilling program confirms anticipated reserves.

SGH Energy will continue to focus on the primary opportunity of progressing assets from development to production stage. SGH Energy was disciplined with its acquisition of Nexus Energy and, with the termination of the Longtom contract with Santos, is positioned to better participate in the expected improvement in Australia's east coast gas market demand and price outlook driven by demand for gas from the three LNG export facilities at Gladstone.

The recent appointment of David McEvoy as a Non-Executive Director to the Seven Group Holdings Board is clearly beneficial to the future aspirations of SGH Energy, as he brings nearly four decades of experience in global petroleum exploration and development and a clear focus on a strategy of participating in high quality energy opportunities that will enhance shareholder value.

SGH Energy's cost structure has been rationalised and the business is focused on the exploitation of its existing reserves, and, like Shell, our partner in the Crux development, we are truly excited about the potential and benefits of Floating Liquefied Natural Gas (FLNG).

Energy ($m)	2015	2014	% Change
Sale of gas, oil and condensate	21.4	–	–
Total revenue	**21.4**	**–**	**–**
Expenses (excluding interest)	(11.7)	–	–
Segment EBITDA	**9.7**	**–**	**–**
Depletion, depreciation and amortisation	(10.5)	–	–
Segment EBIT	**(0.8)**	**–**	**–**

RISK FACTORS ASSOCIATED WITH SGH

The business activities of SGH are subject to various risks and there are many factors which may impact on the future performance and position of SGH. These risks are both specific to SGH and also relate to general commercial and economic risks. These risks may, either individually or in combination, affect the future operating and financial performance of SGH and the value of SGH shares.

RISK MANAGEMENT

The Company recognises that the management of business and economic risk is an integral part of its operations and has established policies and procedures for the oversight and management of material business risks, including the establishment of the Audit & Risk Committee.

The Company maintains a Strategic Risk Assessment that identifies, assesses, ranks and updates the main strategic risks, including material business risks, facing the Company in respect of which management formulates and records the internal risk controls implemented for those risks.

Each of the material business risks highlighted below is monitored and managed by appropriate senior management within SGH who are delegated responsibility to manage or escalate issues to the SGH executive. Where appropriate, external advisers are appointed to assist in managing the risk.

The material business risks are summarised below but should not be regarded as an exhaustive list of all risks that affect the business, furthermore the items have not been prioritised.

MATERIAL BUSINESS RISK

Investment risk

Investment opportunities

The financial performance of SGH and the returns available to SGH shareholders will be affected by the recognition and availability of suitable investment opportunities in the future. Investment opportunities are subject to market conditions and other factors largely outside of the control of SGH. SGH's ability to divest its investments will also be subject to these factors.

Minority investment risk

SGH holds minority interests in a number of listed companies including Seven West Media. Where SGH holds an investment and is limited in its ability to exert control over the investee entity, it may become subject to the operational control of other parties and the financial performance this may entail. Additionally, SGH will be exposed to the risks inherent in minority shareholdings and may not be able to achieve an easy or profitable exit from its investments. This could lead to a reduction in the financial performance of SGH. Listed equity markets fluctuate with time, which leads to the risk that the value of SGH's significant listed investment portfolio will also fluctuate.

Investment portfolio

SGH has investments in a number of ASX listed, and unlisted, companies that it does not control. There is price, liquidity, and other risks associated with any investment in such companies, including the risk that distributions paid to security holders will be reduced, adversely impacting the yield of the broader portfolio. The price of shares in SGH's portfolio may rise or fall due to numerous factors which may affect the market performance of SGH. These include changes in Australian and international stock markets and investor sentiment, domestic and world economic conditions and outlook, inflation rates, interest rates, employment, taxation and changes to government policy, legislation or regulation.

Coates Hire joint venture risk

SGH is exposed to risks associated its investment in Coates Hire. Carlyle and SGH each hold a ~46 per cent economic interest in Coates Hire. Under the co-investment arrangements with Carlyle, SGH (via its wholly owned subsidiary National Hire Group Limited) or Carlyle may seek to sell their investment in Coates Hire in the future.

There is a risk that SGH's interest in Coates Hire will increase or decrease and that this increase or decrease will not be within SGH's absolute control. There is a risk that the transaction by which SGH's investment decreases or increases does not realise or attribute the same value as SGH attributes to that investment.

Financial risks

Interest rate, liquidity and bank default risk

SGH has substantial cash reserves on deposit with a number of major financial institutions. These reserves are invested in both cash call and term deposit accounts. Cash call accounts are immediately available to SGH but offer lower yields. Conversely, term deposits lock up SGH's cash reserves for a specified period of time but earn higher yields. The use of term deposits exposes SGH to liquidity risk as SGH may be unable to access its cash reserves to fund an immediately available investment opportunity if the reserves are invested for a specified period of time. SGH manages the proportion of its cash reserves held in each type of account, seeking to maximise the return on its cash and cash equivalents. The rate of return available to SGH is largely outside of its control and is a function of both the Reserve Bank of Australia's overnight cash rate and the spreads offered by deposit taking institutions. SGH is exposed to risk that the interest rates offered for both cash call and term deposit accounts could materially fluctuate which may affect the financial and operating performance of the Company. Additionally, SGH is exposed to the risk of default by one or all of the deposit-taking institutions with which SGH banks.

Foreign exchange

WesTrac Group is exposed to foreign exchange risk with the purchase of equipment and inventory which is denominated in USD and also from the derivation of revenues from WesTrac China which is denominated in Renminbi and USD. As part of its pricing of equipment globally, Caterpillar generally resets pricing annually for heavy equipment which is denominated in USD. Movements in the pricing of equipment impacts WesTrac Group's cost of machines and may also affect the overall profit earned on the sale of equipment to customers which is denominated in either AUD, USD or both. Fluctuations in the AUD/USD, AUD/Renminbi and AUD/HKD exchange rates could have an adverse impact on WesTrac Group's business, financial condition and results of operations which are reported in Australian dollars. The Group's investments WesTrac China and US oil and gas assets have not been hedged given the indeterminable duration of the investment horizon.

WesTrac Group has a large diversified customer base and is not dependent on any single customer or group of customers

WesTrac Group's customers may default due to bankruptcy or other reasons. A customer's termination of, or default under, a contract with WesTrac Group, could result in a loss of expected revenues from the sale or rental of equipment and the provision of parts and maintenance, and additional expenses for WesTrac Group. Accordingly, the termination of, or default under, a contract by any of WesTrac Group's customers could have an adverse effect on WesTrac Group's business, financial condition and results of operations.

Tax risk

The Company and its wholly owned subsidiaries may be subject to reviews by taxation authorities from time to time in the ordinary course of business. These reviews may result in the taxation authorities taking a different view on the tax treatment of particular transactions from that of the Company and its wholly owned subsidiaries, which could lead to additional tax liabilities. SGH proactively manages this risk through the use of taxation advisors and working closely with taxation authorities.

Operational risks

Dependence on Caterpillar

WesTrac Group is dependent on Caterpillar to maintain its authorisation as the authorised dealer of Caterpillar equipment and parts in its Western Australia, New South Wales/ACT and North Eastern China Service Territories. WesTrac Group's predecessor companies have been associated with Caterpillar since 1925 and WesTrac's association with Caterpillar has been since 1990. WesTrac Group has maintained a strong relationship with Caterpillar and although WesTrac Group expects this relationship to continue, as is customary in dealer agreements with Caterpillar, the dealer agreements with Caterpillar can be terminated by either party upon 90 days' notice at any time. The dealer agreements also contain provisions for automatic or accelerated termination in certain circumstances, such as material breach, insolvency events, and changes in control without Caterpillar consent, and are not exclusive. The Caterpillar dealer agreements are not, however, subject to periodic renewal requirements and are perpetual in nature (subject to the termination right noted above). In the event Caterpillar terminates or appoints another dealer or deals directly in the territories in which WesTrac Group operates, it would have a material adverse effect on WesTrac Group's business, financial condition and results of operations as well as trigger accelerated prepayments across the SGH Group's key funding arrangements. WesTrac Group is dependent on Caterpillar for timely supply of equipment and parts from their global manufacturing factories and distribution warehouses. During periods of intense demand or in the event of disruption to Caterpillar's business there may be delays in the supply of equipment and parts to WesTrac Group. This has not in the past proven to be an impediment to WesTrac. In the event that Caterpillar is unable to supply its products in the quantities and timeframes required by WesTrac Group's customers, it may have a material adverse effect on WesTrac Group's business, financial condition and results of operations. WesTrac is also dependent on Caterpillar to maintain product development and innovation to ensure that it has a quality product offering for its customers.

Decline in demand from mining or construction industries.

WesTrac Group's customer base consists primarily of companies in the mining and civil construction industries. Demand for WesTrac Group's products and services in these industries is driven by the volume of earth and material moved. This is in turn driven by demand for commodities, stripping ratios in mining, demand for construction materials and the number and scale of infrastructure projects.

If these are negatively impacted, WesTrac Group's business, financial condition and results of operations could be materially adversely affected.

Increased competition from other equipment suppliers

WesTrac Group operates in a competitive environment in each of its business sectors. Many of its competitors are well established companies. WesTrac Group's range and quality of products and services, its ability to meet sophisticated customer requirements and its extensive dealer network enhance its competitive position. However, during periods of low demand, price competition can increase and this may have a material adverse effect on WesTrac's business, financial condition and results of operations.

Customer contracts

WesTrac's alliance agreements for equipment supply exist with select customers only. However, where they exist they are underpinned by global customer alliances with Caterpillar. The routine supply agreements which make up the majority of WesTrac Group's customer contracts relate to specific pieces of equipment and are therefore short to medium term in nature. The maintenance and repair agreements are medium to long term in duration but, whilst material in value, are fewer in number. As there are very few contracts tying customers to WesTrac for terms in excess of five years, although viewed as unlikely, an event such as a strong competitor entering the market or Caterpillar authorising another dealer in the service territories in which WesTrac Group operates, WesTrac Group's territories service business, financial condition and results of operations could be materially adversely affected.

Variation in pricing

Generally, Caterpillar resets pricing annually for equipment and reviews its parts pricing twice a year, with any Caterpillar parts pricing changes implemented in January and July. Usually, at least two months' notice is given of equipment pricing changes. WesTrac may have committed to sell equipment to a customer at a certain price when the new Caterpillar prices are issued. WesTrac manages this risk through flexibility in the terms and conditions of sale and Caterpillar usually offers price protection policies to mitigate this risk.

Safety and environment

The health and safety of the Group's staff is the Group's first priority and SGH has improved its health and safety performance in recent years. SGH will seek to improve its health and safety performance targeting a goal of zero work-related injuries and environmental incidents.

The Group's activities can result in harm to people and the environment. SGH has sought to mitigate this risk by assessing, understanding and mitigating the critical risks facing its various businesses and implementing "Life Saving Rules" which provide direction and guidance on these critical risks.

SGH has various risk management policies and procedures in place to enable the identification, assessment and mitigation of risks that arise through its activities. These include tender, project, interest rate, foreign exchange and credit risks. For further information in relation to SGH's risk management framework, refer to page 44 of the Corporate Governance Statement in the Annual Report.

Volatility in oil and gas prices

The Energy segment relies on the production and sale of oil and gas products (including LNG) to a variety of buyers under a range of short-term and long-term contracts some of which are expected to be oil-linked. A downward movement in oil prices could have a significant effect on SGH's performance and future prospects. Crude oil prices are affected by numerous factors beyond SGH's control and have fluctuated widely historically. SGH has the option of entering into commodity crude oil price swap and option contracts to manage its oil price risk, and continually monitors oil price volatility to assess the need for commodity price hedging. During 2015 due to the infancy of these operations, and at the time of publishing this report, SGH did not have any hedging positions in place.

Project development risk

SGH proposes to invest significant amount of capital in the assets of SGH Energy (Longtom and Crux) projects. These and other projects may be delayed or be unsuccessful for many reasons, including unanticipated economic, financial, operational, engineering, technical, environmental, contractual or political events. Delays, changes in scope, cost increases or poor performance outcomes pose risks that may impact SGH's financial performance. For example, SGH's ambition to grow production may not be achieved if any of the projects currently under consideration are not delivered successfully or any of the yet to be sanctioned projects are not sanctioned for development. SGH has project and risk management and reporting systems in place and the progress and performance of material projects will be regularly reviewed by senior management and the Board.

Oil and gas reserves

Estimations of recoverable oil and gas reserves and resources contain significant uncertainties, which are inherent in the reservoir geology, seismic and well data available and other factors such as project development and operating costs, together with commodity prices. SGH will adopt a reserves management system that is consistent with the Society of Petroleum Engineers standards.

Exploration risk

SGH's future long-term prospects are also directly related to the success of efforts to replace existing oil and gas reserves as they are depleted through production. Exploration is a high risk endeavour subject to geological and technological uncertainties and the failure to replace utilised reserves with additional proved reserves is a risk inherent in the oil and gas exploration and production industry.

Environmental and safety risks and social licence to operate

A range of health, safety and environmental risks exists with oil and gas exploration and production activities. Accidents, environmental incidents and real or perceived threats to the environment or the amenity of local communities could result in a loss of the Company's social licence to operate, leading to delays, disruption or the shutdown of exploration and production activities. SGH Energy and Apache have a comprehensive environmental, health and safety management system to mitigate the risk of incidents.

Joint venture arrangements

SGH's business is carried out through joint ventures. The use of joint ventures is common in the exploration and production industry and serves to mitigate the risk and associated cost of exploration, production and operational failure. However, failure of agreement or alignment with joint venture partners or the failure of third party joint venture operators could have a material effect on SGH's business. The failure of joint venture partners to meet their commitments and share costs and liabilities can result in increased costs to SGH. SGH will work closely with its joint venture partners in order to reduce the risk of misalignment in joint venture activities.

DIRECTORS' REPORT

KERRY MATTHEW STOKES AC

Executive Chairman of Seven Group Holdings Limited since 22 April 2010.

Executive Chairman of Seven Network Limited since July 1999. Prior to that Non Executive Chairman since June 1995.

Appointed a Companion in the General Division of the Order of Australia in the Queen's Birthday honours announced on 9 June 2008.

Chairman of Seven Media Group Pty Limited since December 2006.

Chairman of Australian Capital Equity Pty Limited Group which has significant interests in activities which include media and entertainment, resources, energy, property and industrial activities.

Chairman of Seven West Media Limited (formerly West Australian Newspapers Holdings Limited) since 11 December 2008. Appointed a Director on 25 September 2008.

RYAN KERRY STOKES

Mr Ryan Stokes was appointed Managing Director & Chief Executive Officer of Seven Group Holdings Limited (SGH) with effect from 1 July 2015.

He was previously Chief Operating Officer of SGH from 28 August 2012 until 1 July 2015 and an Executive Director of the Company since 16 February 2010.

Mr Stokes is a Director of Seven West Media Limited (SWM), WesTrac Pty Ltd and Coates Hire Pty Ltd.

Mr Stokes is Chief Executive Officer of Australian Capital Equity Pty Limited (ACE).

Mr Stokes is Chairman of the National Library of Australia. He is also a member of the Prime Ministerial Advisory Council on Veterans Mental Health established in 2014. In 2015, he became a Committee member of innovationXchange (within the Department of Foreign Affairs and Trade), which provides strategic guidance on innovation in aid programs. He is also a member of the IOC Olympic Education Commission.

Mr Stokes is the former Chairman of Australia's National Youth Mental Health Foundation (Headspace), a Federal Government initiative established in 2006.

Mr Stokes holds a BComm from Curtin University and is a Fellow of the Australian Institute of Management (FAIM).

TERRY JAMES DAVIS

Director of Seven Group Holdings Limited since 1 June 2010.

Group Managing Director, Coca-Cola Amatil Limited from 12 November 2001 to 3 March 2014.

Chairman of the Independent & Related Party Committee, Member of the Remuneration & Nomination Committee.

Director of St. George Bank Limited from December 2004 to December 2008.

Over fifteen years experience in the global wine industry including Managing Director of Beringer Blass (the wine division of Foster's Group Limited) and Managing Director of Cellarmaster Wines Group between 1987 and 1997.

Council Member of the University of New South Wales Council from June 2006 to June 2014.

CHRISTOPHER JOHN MACKAY

Director of Seven Group Holdings Limited since 1 June 2010.

Former Chairman of Magellan Financial Group Limited and Managing Director of Magellan Flagship Fund Limited since 1 October 2013.

Member of the Audit & Risk Committee, Member of the Independent & Related Party Committee.

Considerable experience in business management, capital allocation, risk management and investment. A former investment banker and corporate and banking lawyer, with broad experience in the financial and corporate sectors over many years.

Formerly Chairman of the investment bank UBS Australasia; having previously been its Chief Executive Officer.

A director of Consolidated Media Holdings Limited from 8 March 2006 until 19 November 2012, when the company was taken over by News Corporation.

A director of Magellan Financial Group Limited from 21 November 2006 to 30 September 2013 and a director of Magellan Flagship Fund Limited since 29 September 2006.

DAVID MCEVOY

Director of Seven Group Holdings Limited since 27 May 2015.

Mr McEvoy has been engaged in the oil and gas industry for over 40 years, in a variety of technical, senior executive and non-executive director roles. He was employed for almost 34 years with ExxonMobil. He concluded his executive career at ExxonMobil in 2002 as Vice President Business Development, ExxonMobil Exploration Company. Mr McEvoy earlier served as a Regional Vice President of Exxon Exploration Company from 1992 to 1997, where he was responsible for exploration activities in the Far East, USA, Canada and South America. He joined Esso Australia Limited in 1969.

Mr McEvoy graduated from the University of New South Wales with a degree in Science and a graduate diploma in Applied Geophysics.

Mr McEvoy is currently a Non-Executive Director of Woodside Petroleum Limited (since 2005) and AWE Limited (since 2006). He is a former Non-Executive Director of Acer Energy (formerly Innamincka Petroleum Limited) and Po Valley Energy Ltd.

BRUCE IAN MCWILLIAM

Director of Seven Group Holdings Limited since 28 April 2010.

Director of Seven Network Limited since September 2003.

Appointed Commercial Director for Seven Network Limited in May 2003.

Director of Seven Media Group Pty Limited since December 2006.

Former partner of law firms Gilbert & Tobin, Turnbull McWilliam and Allen Allen & Hemsley specialising in media and commercial law. Former Director BSkyB, Executive Director News International Television and General Counsel, News International plc.

Director of Australian News Channel Pty Limited.

Alternate Director of Seven West Media Limited from 4 November 2008 to 5 March 2015.

Honorary Fellow of the University of Sydney.

Chairman, Sydney University Law School Advisory Committee.

Council Member, St Pauls College, University of Sydney.

Honorary Governor – The Thalidomide Foundation Limited.

THE HON. WARWICK LESLIE SMITH AM

Director of Seven Group Holdings Limited since 12 September 2014.

Member of the Audit & Risk Committee, Member of the Remuneration & Nomination Committee.

Chairman, New South Wales and Australian Capital Territory and Senior Managing Director, Australia for Australia and New Zealand Banking Group Limited. Board Director of ANZ Bank China. Chairman of the Advisory Board of the Australian Capital Equity Group of companies.

Chairman of the Australia China Council, Chairman of the Asia Society Australia and Global Trustee of the Asia Society.

Former Executive Director with the Macquarie Bank Group of companies and a former Chairman of E*Trade Limited.

Former Chairman of the Australian Sports Commission. Former Telecommunications Ombudsman.

Former Minister for Sport, Territories and Local Government, Minister Assisting the Prime Minister on the Olympic Games in Sydney and Minister for Family Services.

Mr Smith was awarded the Member of the Order of Australia (AM) in 2008, for service to the Parliament of Australia, to the telecommunications industry, to the promotion of international trade and tourism and to philanthropy through a range of charitable and community organisations.

RICHARD ANDERS UECHTRITZ

Director of Seven Group Holdings Limited since 1 June 2010.

Acting Chairman of the Remuneration & Nomination Committee, Member of the Independent & Related Party Committee.

Director of JB Hi-Fi Limited since 28 April 2011.

Chief Executive Officer and Director of JB Hi-Fi Limited from June 2000 to May 2010.

Over thirty years experience in retailing.

Co-founder of Rabbit Photo and Smith's Kodak Express.

Director of Kodak (Australasia) Proprietary Limited from 30 July 1998 to 20 July 2000.

PROFESSOR MURRAY CHARLES WELLS

Director of Seven Group Holdings Limited since 28 April 2010.

Director of Seven Network Limited since July 1995.

Chairman of the Audit & Risk Committee, Member of the Independent & Related Party Committee. PhD, University of Sydney. M.Com, University of Canterbury. Fellow of CPA Australia, Fellow of the Academy of Social Sciences in Australia. Chairman, Kaplan Higher Education Pty Limited. Deputy Chairman, Australian Scholarships Foundation. Director Flagship Property Holdings Pty Limited.

Emeritus Professor of Accounting, former Dean of Economics, and Director of the Graduate School of Business and the Foundation of the Graduate School of Business at the University of Sydney. Former Chairman and Director of Australian National Business School Limited.

Life Member, American Accounting Association; inducted into the Australian Accounting Hall of Fame, 2012. Life Fellow, Australia and New Zealand Academy of Management, 2000.

COMPANY SECRETARY
WARREN WALTER COATSWORTH

Company Secretary of Seven Group Holdings Limited since 28 April 2010.

Company Secretary of Seven West Media Limited since April 2013.

Company Secretary of Seven Network Limited since July 2005.

Solicitor holding a current practising certificate with degrees in Arts and Law (Hons) from the University of Sydney. Legal Counsel with Seven Network Limited for the past fifteen years, advising broadly across the company, and formerly a solicitor at Clayton Utz. He has completed a Graduate Diploma in Applied Corporate Governance and is a qualified Chartered Company Secretary and a Fellow and member of the Governance Institute of Australia.

This statement outlines the Company's main corporate governance practices and its compliance with the 3rd edition of the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (**ASX Recommendations**).

The Company's Board and Committee Charters and a number of the corporate governance policies referred to in this statement are available in the "Corporate Governance" section of the Company's website at www.sevengroup.com.au/about-us/corporate-governance. Those policies which are not separately available on the Company's website are summarised in this statement. A copy of this statement will be made available on the Company's website.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role and responsibilities of the Board

The Board is empowered to manage the business of the Company subject to the *Corporations Act* and the Company's Constitution.

The Board is responsible for the overall corporate governance of the Group and has adopted a Board Charter, which is available on the Company's website. The Board Charter sets out the role and responsibilities of the Board as well as those functions delegated to management.

The Board Charter provides that the Board's role includes:

- representing and serving the interests of shareholders by overseeing, reviewing and appraising the Company's strategies, policies and performance in accordance with any duties and obligations imposed on the Board by law and the Company's Constitution;
- contributing to, and approving management's development of, corporate strategy and performance objectives and monitoring management's performance and implementation of strategy and policies;
- reviewing and monitoring systems of risk management and internal control and ethical and legal compliance;
- monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting;
- developing a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership; and
- on an annual basis, reviewing the effectiveness of the Company's Diversity Policy.

The Board Charter provides that matters which are specifically reserved for the Board or its Committees include:

- appointment and removal of the Chief Executive Officer;
- approval of dividends;
- approval of annual budget;
- monitoring capital management and approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management;
- the establishment of Board Committees, their membership and delegated authorities; and
- calling of meetings of shareholders.

Board Committees

The Board is assisted in carrying out its responsibilities by the Audit & Risk Committee, the Remuneration & Nomination Committee and the Independent & Related Party Committee. These standing Committees were established by the Board to allow detailed consideration of complex issues.

Each Committee has its own written Charter which is reviewed on an annual basis. The Charter of each Committee is available on the Company's website.

Further details regarding the Audit & Risk Committee are set out under "Principle 4 – Safeguard Integrity in Corporate Reporting" and further details regarding the Remuneration & Nomination Committee and the Independent & Related Party Committee are set out under "Principle 2 – Structure the Board to Add Value" in this Corporate Governance Statement.

The Directors' Report on page 49 sets out the number of Board and Committee meetings held during the 2015 financial year under the heading "Directors' Meetings", as well as the attendance of Directors at those meetings.

Delegation to management

Subject to oversight by the Board and the exercise by the Board of functions which it is required to carry out under the Company's Constitution and Board Charter, and the *Corporations Act*, it is the role of management to carry out functions that are expressly delegated to management by the Board, as well as those functions not specifically reserved to the Board, as it considers appropriate, including those functions and affairs which pertain to the day-to-day management of the operations and administration of the Company.

Management is responsible for implementing the policies and strategic objectives approved by the Board. Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively.

The Company has adopted a Delegated Authority Policy, which delegates to management the authority to carry out expenditure in relation to specified areas of the Company's operations, subject to the Company's policies and procedures in respect of the authorisation and signing of Company contracts, which includes a system of legal review.

The functions exercised by the Board and those delegated to management, as explained in this statement and set out in the Board Charter, are subject to ongoing review to ensure that the division of functions remains appropriate.

Senior management team

Company executives are each employed under written employment agreements, which set out the terms of their employment, including role and duties, the person to whom they report, remuneration, obligations of confidentiality, and the circumstances in which the executive's employment may be terminated.

The management of the Company during the financial year comprised the Managing Director and Chief Executive Officer, Chief Operating Officer, Chief Financial Officer as well as several Group Executives who together provide expertise in Finance, Mining, Systems and Processes, Security and Compliance. In addition, several Seven West Media Limited executives provided management services to the Company, and as part of these arrangements, a portion of their salary cost was charged to the Company for the services provided to it.

Until 29 June 2015, Mr Don Voelte AO was the Managing Director & Chief Executive Officer of the Company. During this period, Mr Voelte AO was charged with the responsibility for overseeing and supervising the Company's investments in accordance with the Board's strategies as well as managing the Company's executive team.

Mr Ryan Stokes was the Chief Operating Officer of the Company during the year. Mr Stokes worked closely with the Managing Director & Chief Executive Officer and reported to the Board on the performance, management and operations of the Group as well as matters relating to process, governance and optimisation of the businesses of the Group. Mr Ryan Stokes assumed the role of Managing Director & Chief Executive Officer of the Company on 1 July 2015.

The Chief Financial Officer of the Company is Mr Richard Richards. Mr Richards works closely with the Managing Director & Chief Executive Officer and the Chief Operating Officer and reports to the Board on the financial performance and position of the Group and its businesses as well as matters relating to Group's financial governance, controls and processes.

On 1 July 2015, Mr James Scott assumed the role of Chief Operating Officer of the Company and has been tasked with responsibility for continuous improvement of the Company's operating activities, driving business transformation and productivity initiatives. Prior to his appointment as Chief Operating Officer and throughout the financial year ended 30 June 2015, Mr Scott was Group Executive – Performance.

Appointment of Directors

The Board has established a Remuneration & Nomination Committee to assist it in the appointment of new Directors. Further information regarding the Committee is set out under "Principle 2 – Structure the Board to Add Value" in this statement.

The policy and procedure for the selection and appointment of new Directors is set out in an attachment to the Board Charter. The factors that will be considered when reviewing a potential candidate for the Board appointment include:

- the skills, experience, expertise and personal qualities that will best complement the Board effectiveness, including a deep understanding in the areas of corporate management, operational, safety and financial matters and the media and industrial services industries in which the Group operates;
- the existing composition of the Board, having regard to the factors outlined in the Company's Diversity Policy and the objective of achieving a Board comprising Directors from a diverse range of backgrounds;
- the capability of the candidate to devote the necessary time and commitment to the role (this involves a consideration of matters such as other board or executive appointments); and
- potential conflicts of interest, and independence.

The Board believes the management of the Company benefits from and it is in the interests of shareholders for Directors on the Board to have a mix of tenures, such that some Directors have served on the Board for a longer period and have a deeper understanding of the Company and its operations, and new Directors bring fresh ideas and perspectives.

As part of the selection and appointment process:

- the Board and Remuneration & Nomination Committee, if so requested, identify potential Director candidates, with the assistance of external search organisations as appropriate;
- background information in relation to each potential candidate is provided to all Directors;
- appropriate background checks are undertaken before appointing a Director, or putting forward to shareholders a Director candidate for election;
- an invitation to be appointed as Director is made by the Chairman after having consulted all Directors, with recommendations from the Remuneration & Nomination Committee (if any) having been circulated to all Directors.

Appointed Directors receive a formal letter of appointment which set out terms of their appointment, including remuneration entitlements and the Company's Corporate Governance Policies, including the Company's Share Trading Policy, which Directors are to abide by. Under the letter of appointment, Directors are also provided with a schedule of Board meetings, a Deed of Indemnity & Access and a summary of Director insurance arrangements.

The date at which each Director was appointed to the Board is announced to ASX and is provided in this Annual Report on pages 34 to 35.

New Director appointments during the year

During the year, the Board, with the assistance of the Remuneration & Nomination Committee, undertook a review of the Board's structure and composition, and appointed two additional Non-Executive Directors: Mr Warwick Smith AM and Mr David McEvoy. Mr Ryan Stokes was also appointed as the new Managing Director & Chief Executive Officer.

The Board considers that these appointments will add further depth and strength to the Board, and that each of these Directors will make a valuable contribution to the Company in terms of skills and experience.

Election and re-election of Directors

Directors appointed to fill casual vacancies hold office until the next Annual General Meeting and are then eligible for election by shareholders. In addition, each Director must stand for re-election at the third Annual General Meeting of the Company since they were last elected.

The Notice of Meeting for the Annual General Meeting discloses material information about Directors seeking election or re-election, including appropriate biographical details and qualifications, and other key current directorships.

Company Secretary

The Company Secretary's role is to support the Board's effectiveness by:

- monitoring whether Company policies and procedures are followed;
- preparing Board and Committee minutes;
- advising the Board and Committees on governance matters; and
- coordinating the timely distribution of Board and Committee agendas and briefing materials.

The Company Secretary's appointment and removal is a matter for the Board. The Company Secretary is accountable to the Board through the Executive Chairman on corporate governance matters. Each of the Directors has access to the Company Secretary.

Board, Committee and Director performance evaluation

The Executive Chairman closely monitors the performance and actions of the Board and its Committees and meets with individual Board members during a financial year to ensure that the Board and its Committees operate effectively and efficiently. The Executive Chairman and each Board member consider the performance of that Board member in relation to the expectations for that Board member and consider any opportunities for enhancing future performance. Matters which may be taken into account include the expertise and responsibilities of the Board member and their contribution to the Board and any relevant Committees and their functions.

During a financial year, the Chair of each Committee also monitor and evaluate the performance of their respective Committee according to the function and objectives of the Committee, its program of work, and the contributions of its members, and discuss the Committee's performance with the Executive Chairman and its members.

For the purposes of his own performance evaluation, the Executive Chairman met with the non-executive Deputy Chairman (during the period he was in office for this reporting period) and a senior independent Director. Since the retirement and resignation of the Deputy Chairman, the Executive Chairman met with two Directors, including at least one Independent Director to review his performance.

During the reporting period, performance evaluations of the Board, its Committees and individual Directors were carried out in accordance with this process.

Assessment of management performance

The performance of the Managing Director & Chief Executive Officer is formally reviewed by the Board against the achievement of strategic and budgetary objectives in respect of the Group's operations and investments whilst also having regard for his personal performance in the leadership of the Group. The Board's review is carried out annually in regard to certain goals against which he is assessed, and throughout the year in regard to others, and forms the basis of the determination of the Managing Director & Chief Executive Officer's performance-based remuneration. The Remuneration Report sets out further details of the performance criteria against which the Managing Director & Chief Executive Officer's performance-based remuneration is assessed on pages 59 to 67.

The performance of senior executives of the Company are reviewed on an annual basis in a formal and documented interview process with either the Managing Director & Chief Executive Officer or the particular executive's immediate supervisor, who evaluates performance against agreed performance goals and assessment criteria in relation to the senior executive's duties and material areas of responsibility, including management of relevant business units within budget, motivation and development of staff and achievement of, and contribution to, the Company's objectives.

A performance evaluation of the Managing Director & Chief Executive Officer and other senior executives took place during the year in accordance with this process. For further information about the performance-related remuneration of senior executives and staff, please see the discussion set out under "Principle 8 – Remunerate Fairly and Responsibly".

Diversity

The Company has an established Diversity Policy which is on the Company's website. Under the policy the Company recognises the benefits of an inclusive and respectful workplace culture that draws on the experiences and perspectives of all Directors and employees, having regard to diversity factors, including but not limited to gender, age and cultural background.

As set out in the Diversity Policy, the Board is committed to:

- **flexible work practices** – developing, on a case by case basis, flexible work practices that assist employees to balance work with family, carer or other responsibilities;
- **career development and performance** – ensuring that decisions regarding employment and remuneration are based on merit, ability, performance and potential and are made in a transparent and fair manner; and
- **equal employment opportunities** – upholding the Company's obligations in regard to equal opportunity through training and workplace awareness.

The Company undertakes an annual review of its Diversity Policy to assess the effectiveness of the Policy and to incorporate any developments concerning the Company's practices and commitments in regards to workplace diversity.

The Board is also committed to regularly establishing, reviewing and assessing achievement of the work practices objectives above in relation to gender diversity. The Board will continue to review the appropriateness of its diversity objectives.

Company progress on diversity objectives in 2015

Flexible work practices

In the Board's view, the Company has achieved the objective of offering flexible working arrangements with an increased take up of flexible working across the Group. The Company continues to set out clear expectations of behaviours for employees that foster an inclusive and supportive organisational culture. The Company monitors performance against this objective to ensure expectations are clear and cultural outcomes attained.

Career development and performance

The Company's commitment and progress towards achieving this objective includes establishing processes to determine fair and equitable benchmarked remuneration, commensurate with the employee's experience and performance in the position they hold, regardless of age, gender or cultural background.

Equal employment opportunities

The Company strives to maintain a significant level of female participation throughout the organisation and endeavours to attract female employees at all levels. We are pleased to report an increase in the representation of women at senior executive level.

During the year, the Group has identified suitable organisations to assist with increasing representation of indigenous Australians and to provide specific services to assist indigenous employees at work.

Gender Diversity

The proportion of women employed within the Group is as follows:

Level	Number of Women	Proportion of Women
Board	0 of 10	0%
Senior executives*	10 of 63	16%
Whole of organisation	603 of 4,304	14%

* Senior executives include Executive Directors of Seven Group Holdings Limited and its subsidiaries, as well as other members of the Executive leadership team and, where appropriate, direct reports to the Executive leadership team. Executive Directors have been included in both the Board and the senior executive categories. The Board and senior executives are included in the Whole of Organisation category. For the purpose of this section of the report employee numbers and statistics have been calculated based on employees who were paid in the final pay periods of June 2015.

Mrs Dulcie Boling, a long-serving director of the Company, retired as a Director at the Company's 2014 Annual General Meeting. The Board is mindful of and recognises the benefits of a Board comprising directors with a broad range of skills, experience and perspectives. With these considerations in mind, the Board is committed to the appointment of a female director as part of its current succession process to fill the vacancy on the Board created by the recent retirement of Mr Don Voelte AO. The Board will continue to review its composition to ensure that it remains appropriate for the Company, including with regard to gender diversity, as it manages succession on the Board.

Additionally, the Company has posted its Workplace Gender Equality Act Public Report for 2014–2015 on its website, which contains the Company's Gender Equality Indicators.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Board composition

The Company's Constitution provides for a minimum of three Directors and a maximum of twelve Directors on the Board.

As at the date of this statement, the Board comprises nine Directors, including six Non-Executive Directors.

The Non-Independent Directors in office are:

- Mr Kerry Stokes AC — Executive Chairman
- Mr Ryan Stokes — Managing Director & Chief Executive Officer
- Mr Bruce McWilliam — Commercial Director
- The Hon Warwick Smith AM — Director

The Independent Directors in office are:

- Mr Terry Davis — Director
- Mr David McEvoy — Director
- Mr Christopher Mackay — Director
- Mr Richard Uechtritz — Director
- Professor Murray Wells — Director

The qualifications, experience, expertise and period in office of each Director of the Company at the date of this Annual Report are disclosed in the Board of Directors section of this Annual Report on pages 34 to 35.

Board independence

The Board currently comprises a majority of Independent Directors, with four Non-Independent Directors and five Independent Directors.

In determining whether a Director is independent, the Board conducts regular assessments and has regard to whether a Director is considered to be one who:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is, or has previously been, employed in an executive capacity by the Company or another Group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional advisor of, or a material consultant to, the Company or another Group member, or an employee materially associated with the service provider;
- is a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material contractual relationship with the Company or another group member other than as a Director.

The Board determines the materiality of a relationship on the basis of fees paid or monies received or paid to either a Director or an entity which falls within the independence criteria above. If an amount received or paid may impact the Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of the Group in the previous financial year by more than 5 per cent, then a relationship will be considered material.

Mr Kerry Stokes AC, Mr Ryan Stokes and Mr Bruce McWilliam are not considered to be independent due to their executive positions with the Company. In addition, Mr Warwick Smith AM is not considered to be independent as he is the chairman of the advisory board of Australian Capital Equity Group of companies which is controlled by Mr Kerry Stokes AC.

In the Board's view, the Independent Directors referred to above are free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Directors' ability to act with a view to the best interests of the Company. In terms of longevity of time in office, the Board does not consider that independence can be assessed with reference to an arbitrary and set period of time, and the independence of Directors who have held office for some time is considered on a case-by-case basis. The Company has diverse operations that have grown considerably over the course of time and, in the Board's view, the Company derives the benefits from having long-serving Directors with detailed knowledge of the history and experience of the Group's operations.

Changes to the Board

There were a number of Board composition changes during the year:

- Mr David Leckie retired and resigned as a Director on 22 August 2014.
- The Hon Warwick Smith AM was appointed as a Director on 12 September 2014.
- Mr Peter Ritchie AO and Mrs Dulcie Boling each retired as Directors at the end of the 2014 Annual General Meeting held on 19 November 2014.
- Mr David McEvoy was appointed as a Director on 27 May 2015.
- Mr Don Voelte AO retired and resigned as a Director on 29 June 2015.

In addition, from 1 July 2015, Mr Ryan Stokes was appointed as Managing Director & Chief Executive Officer.

At the commencement of the financial year until the Annual General Meeting, at which time Mr Ritchie AO and Mrs Boling retired, the Board comprised a majority of Independent Directors. From the Annual General Meeting until the appointment of Mr McEvoy the Board comprised a majority of Non-Independent Directors. From Mr McEvoy's appointment until the resignation of Mr Voelte AO, the Board comprised an equal number of Non-Independent and Independent Directors. Following Mr Voelte AO's retirement and resignation as a Director, the Board once again comprised a majority of Independent Directors.

The Board acknowledges the ASX Recommendation that a majority of the Board should be Independent Directors. However the Directors believe that, despite the Board not comprising a majority of Independent Directors during part of the financial year, the individual Directors objectively analysed the issues before them, in the best interests of all shareholders and in accordance with their duties as Directors.

Independent & Related Party Committee

The Independent Directors (identified above) are members of the Independent & Related Party Committee, which has Mr Terry Davis as its Chairman. The Committee provides a forum for the review of material transactions between the Company and its related parties, including transactions with Australian Capital Equity Pty Limited and interests associated with Mr Kerry Stokes AC. Review of related party transactions by the Committee occurs without management or Non-Independent Directors present. The Committee meets at least twice during the year, and the Committee otherwise holds discussions and receives management reports concerning related party transactions as necessary. As such, the Committee provides an opportunity for the Independent Directors to meet regularly without management or Non-Independent Directors present.

Chairman

The roles of the Chairman and Managing Director & Chief Executive Officer are separate. Mr Kerry Stokes AC is Executive Chairman of the Company. The Board acknowledges the ASX Recommendation that the Chairman should be an Independent Director, however the Board has formed the view that Mr Stokes AC is the most appropriate person to lead the Board as its Chairman, given his history of leadership across the businesses and investments comprising the Group, including in the areas of heavy equipment management and services, property and television management and related media investments. In addition, Mr Stokes AC's grasp of new technologies driving television production and transmission and his incentive to maximise the interests of the Group are considered beneficial for the Company. Mr Stokes AC has been involved in investing in, and managing diverse businesses for, more than four decades and currently has broad business interests and investments in a range of major business sectors in Australia and overseas, including construction, mining, oil and gas exploration. His experience and insights are considered to be invaluable to the Group.

Board skills, experience and expertise

Each Director brings a range of personal and professional experiences and expertise to the Board. The Board seeks to achieve an appropriate mix of skills, tenures and diversity, including a deep understanding of the industries in which it holds investments and operates, as well as corporate management and operational, financial and safety matters. Directors devote significant time and resources to the discharge of their duties.

The Board has identified the following areas as strategic priorities for the Company to drive shareholder value:

1. Investing and operating in a diversified portfolio of market leading assets and businesses in the Company's core business areas of industrial services, media, and energy investments with a focus on maximising profit and return on capital.
2. Driving efficiencies and adding value to the Company's operations and investments in assets and businesses through ensuring the best teams are in place with strong governance and oversight systems and processes.
3. Identifying and investing in growth opportunities which leverage off our Company's expertise in areas that could be outside our core current operating areas with a focus on taking advantage of opportunistic situations.
4. Prudent capital and balance sheet management to sustain future development of the Company and enhance shareholder returns.

The Board has achieved a membership which has regard to the strategic aims and priorities of the Company, including the following skills and experience which are well-represented on the Board:

Skills and experience	Percentage
Executive leadership	
Significant business experience at a senior executive level	100%
Financial analysis, risk management and reporting	
Senior executive or equivalent experience in financial accounting and reporting, corporate finance and internal financial controls	88%
Industrial services	
Senior executive or Board level experience in the industrial services industry, including in-depth knowledge of the legislative and regulatory framework governing this industry	55%
Media industry	
Senior executive or Board level experience in the media industry, including in-depth knowledge of the legislative and regulatory framework governing this industry	44%
Energy, oil and gas	
Senior executive or Board level experience in the energy, oil and gas industry, including in-depth knowledge of the legislative and regulatory framework governing this industry	33%
Strategy and corporate activity	
Experience in identifying, developing and implementing a successful strategy and developing an asset or investment over the long-term	88%
Corporate governance and regulatory	
Commitment to the highest standards of corporate governance, including experience with an organisation that is subject to rigorous governance and regulatory standards	100%
Remuneration and people	
Board remuneration committee membership or management experience in relation to managing people and remuneration, including incentive arrangements and the legislative framework governing employees and remuneration	77%

Whilst the composition of the Board varied throughout the reporting period due to retirements, resignations and appointments, the percentages of Directors assessed to possess each category of skill and/or experience was determined as at the date this Corporate Governance Statement was approved.

Remuneration & Nomination Committee

The Board has established a Remuneration & Nomination Committee, which is comprised of:

- Mr Richard Uechtritz (Acting Chairman)
- Mr Terry Davis
- The Hon Warwick Smith AM

The Remuneration & Nomination Charter is available on the Company's website. The Charter provides that the Committee must consist of a minimum of three members and must have a majority of Independent Directors, all of whom must be Non-executive Directors.

Until 19 November 2014, when Mr Peter Ritchie AO and Mrs Dulcie Boling retired as Directors, the Remuneration & Nomination Committee comprised Mr Peter Ritchie AO (Chairman), Mrs Dulcie Boling, Mr Terry Davis and Mr Richard Uechtritz. Mr Warwick Smith AM was appointed to the Committee on 19 November 2014 and since that date, Mr Uechtritz has been Acting Chairman of the Committee.

Attendance at Committee meetings by management is at the invitation of the Committee. Directors who are non-Committee members may attend any meeting of the Committee. The Committee may request that Directors who are non-Committee members are not present for all or any part of a meeting. It is the practice of the Committee for the Managing Director & Chief Executive Officer and Senior Group Executive, Human Resources to attend Committee meetings to present to, or to assist, the Committee.

The Chairman of the Committee reports to the Board on the Committee's considerations and recommendations.

Further details concerning the Remuneration & Nomination Committee's role in relation to Board appointments are set out in this Corporate Governance Statement under the heading "Principle 1 – Lay Solid Foundations for Management and Oversight" and under "Principle 8 – Remunerate Fairly and Responsibly" in relation to its role regarding the Company's remuneration arrangements.

Director induction and ongoing training

As part of the induction process, Board appointees attend a briefing with the Executive Chairman, meet with the Company Secretary about the Company's corporate governance (including its policies and procedures), visit key business sites and meet with Company Executives.

In addition to the induction process for new Director appointments, from time to time, Directors attend external education seminars and peer group meetings regarding regulatory and compliance developments. The Company arranges presentations to the Board by Executives to update the Directors on the Group's business activities, as well as industry and regulatory developments.

Effective functioning of the Board

The Board, under the terms of appointment of Directors and by virtue of their position, is entitled to access, and is provided with, information concerning the Group needed to discharge its duties efficiently. Directors are entitled, and encouraged, to request additional information if they believe that is necessary to support informed decision making. Directors are able to obtain independent professional advice to assist them in carrying out their duties, at the Company's expense.

PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

Code of Conduct and other Company policies

The Board has adopted a Code of Conduct for Directors, available on the Company's website, which establishes guidelines for their conduct in matters such as ethical standards and the disclosure and management of conflicts of interests.

Formal Employee Conduct Guidelines have been adopted by the Company for employees, including senior executives, and are available on the Company's website. These Guidelines help to guide employees on how to act and clarify how the Company expects employees to perform.

The Company and its controlled subsidiaries, as applicable, uphold and maintain the following ethical standards:

- General statutory requirements and regulations of the *Corporations Act*, ASX Listing Rules and Income Tax Assessment Act;
- Equal employment opportunity and affirmative action;
- Encouraging high standards of safe work practices and implementing Occupational Health & Safety compliance procedures;
- Policy of community service through charitable organisations; and
- Policy of responding to national disasters and tragedies.

The Company assesses the Group as part of its compliance with the National Greenhouse and Energy Reporting Act and will be reporting relevant emissions and energy usage and production for the Group for the financial year.

The Company has adopted a formal Issue Escalation Guideline to encourage the reporting and investigation of unethical and unlawful practices and matters of concern which cannot otherwise be adequately dealt with under Company policies. The Guideline, including reporting contacts, is available on the Company's website. The Company requires compliance with Company policies by staff under the terms of their employment and carries out training of employees in relation to its policies and procedures.

The Company has adopted Share Trading Policies for Group Directors and Executives and Staff, which are available on the Company's website.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Audit & Risk Committee

As at the date of this statement, the Committee comprised the following members, all of whom are Independent Directors except for Mr Warwick Smith AM:

- Professor Murray Wells (Chairman)
- Mr Chris Mackay
- The Hon Warwick Smith AM

Mr Peter Ritchie AO was a member of the Committee until his retirement and resignation on 19 November 2014.

Until 19 November 2014, the Audit & Risk Committee comprised three independent Non-executive Directors: Professor Murray Wells (Chairman), Mr Peter Ritchie AO and Mr Christopher Mackay. Professor Wells is an Emeritus Professor of Accounting, University of Sydney. Mr Ritchie is a Fellow of CPA Australia. Mr Mackay, a former investment banker and corporate and banking lawyer, has considerable experience in business management, capital allocation, risk management and investment. Mr Warwick Smith AM was appointed to the Committee on 19 November 2014. Over the course of a highly distinguished career, Mr Smith has held a variety of senior roles in finance, banking and government.

The Audit & Risk Committee has adopted a formal Charter which is available on the Company's website.

The Committee's key responsibilities in respect of its audit function are to assist the Board in fulfilling its responsibilities in relation to:

- the accounting and financial reporting practices of the Company and its subsidiaries;
- the consideration of matters relating to the financial controls and systems of the Company and its subsidiaries;
- the identification and management of financial risk; and
- the examination of any other matters referred to it by the Board.

The Audit & Risk Committee is also responsible for:

- making recommendations to the Board on the appointment (including procedures for selection), and where necessary, the replacement of the External Auditor;
- evaluating the overall effectiveness of external audit function through the assessment of external audit reports and meetings with the External Auditors;
- reviewing the External Auditor's fees in relation to the quality and scope of the audit with a view to ensuring that an effective comprehensive and complete audit can be conducted for the fee; and
- assessing whether non-audit services provided by the External Auditor are consistent with maintaining the External Auditor's independence.

The Audit & Risk Committee's key responsibilities in respect of its risk function are set out below under "Principle 7 – Recognise and Manage Risk".

Attendance at Committee meetings by management is at the invitation of the Committee. Directors who are non-Committee members may attend any meeting of the Committee. The Committee may request that Directors who are non-Committee members are not present for all or any part of a meeting. It is the practice of the Committee for the Managing Director & Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Head of Internal Audit to attend Committee meetings to present to, or to assist, the Committee.

The Chairman of the Committee reports to the Board on the Committee's considerations and recommendations.

External Audit function

Each reporting period, the External Auditor provides an independence declaration in relation to the audit of the Company. Additionally, the Audit & Risk Committee provides advice to the Board in respect of whether the provision of non-audit services by the External Auditor are compatible with the general standard of independence of auditors imposed by the *Corporations Act*.

The current practice is for the rotation of the appropriate External Audit partner(s) to occur every five years (subject to the requirements of applicable professional standards and regulatory requirements). If a new auditor is to be appointed, the selection process involves a formal tender evaluated by the Audit & Risk Committee. The Chair of the Committee leads the process, in consultation with the Chief Financial Officer.

The Board ensures that the Company's External Auditor attends all Annual General Meetings and is available to answer shareholders' questions about the conduct of the audit and the preparation and content of the Auditor's report.

Declarations by the Managing Director & Chief Executive Officer and Chief Financial Officer

Before the Board approves the financial statements for each of the half year and full year, it receives from the Managing Director & Chief Executive Officer and the Chief Financial Officer a written declaration that, in their opinion, the financial records of the Company have been properly maintained and the financial statements are prepared in accordance with the relevant accounting standards and present a true and fair view of the financial position and performance of the consolidated group. These declarations also confirm that these opinions have been formed on the basis of a sound system of risk management and internal compliance and control which is operating effectively.

The required declarations from the Chief Executive Officer and Chief Financial Officer have been given for the half year ended 31 December 2014 and financial year ended 30 June 2015.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Company complies with the disclosure obligations of the ASX Listing Rules.

The Company has adopted and implemented a Continuous Disclosure Policy which sets out the procedure for the identification of material price sensitive information and reporting of such information to the Company Secretary for review. A summary of the Continuous Disclosure Policy is available on the Company's website.

The Company Secretary has been nominated as the person with primary responsibility for communication and liaison with the ASX in relation to ASX Listing Rules and disclosure requirements, including periodic and continuous disclosure issues. The Company Secretary also has responsibility for ensuring internal compliance with those ASX Listing Rules and the oversight of information released to the ASX and shareholders.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Communications with shareholders

As disclosed in the Shareholder Communications Policy, which is available on the Company's website, the Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs and that there is effective two-way communication with shareholders.

The Company adopts a communications strategy that promotes effective communication with shareholders, principally through ASX announcements, the Company website, the provision of the Annual Report, including the financial statements, and the Annual General Meeting (and any extraordinary meeting held by the Company) and notices of general meetings. Information concerning resolutions for consideration at the Company's general meetings is provided in the notice of meeting. Shareholders are encouraged to participate in general meetings and are invited to put questions to the Chairman of the Board in that forum.

Shareholders are given the option to receive communications from, and to send communications to, the Company electronically, to the extent possible. The Board continues to review its channels of communications with shareholders for cost effectiveness and efficiencies, including using electronic delivery systems for shareholder communications where appropriate.

The Company's website

The Company's website www.sevengroup.com.au provides various information about the Company, including:

- Overviews of the Company's operating businesses, divisions and structure;
- Biographical information for each Director;
- Copies of the following:
  - Board and Committee Charters;
  - Corporate Governance Policies;
  - Annual Reports and Financial Statements; and
  - Announcements to ASX;
- Security price information;
- Contact details for the Company's Share Registry;
- Details concerning the date of the Annual General Meeting, including the Notice of Meeting, when available; and
- Access to live webcasts of the Annual General Meeting.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Risk oversight and management

The Board recognises that the management of business and economic risk is an integral part of its operations and has established policies and procedures for the oversight and management of material business risks, including the establishment of the Audit & Risk Committee. Details regarding the Committee are set out under "Principle 4 – Safeguard Integrity in Corporate Reporting".

The Board also believes a sound risk management framework should be aimed at identifying and delivering improved business processes and procedures across the Group which are consistent with the Group's commercial objectives.

Under the Audit & Risk Committee's Charter, the Committee's key responsibilities in respect of its risk function are to:

- Oversee, evaluate and make recommendations to the Board in relation to, the adequacy and effectiveness of the risk management framework and the risk management systems and processes in place, and be assured and in a position to report to the Board that all material risks have been identified and appropriate policies and processes are in place to manage them.
- Review and approve management's annual report on the effectiveness of the risk management systems.
- Review, at least annually, the Company's risk management framework to satisfy itself that it continues to be sound and effectively identifies all areas of potential risk, and report to the Board regarding its review and any recommended changes to the Company's risk management framework.
- Review, and make recommendations to the Board in relation to, the Company's insurance program and other risk transfer arrangements having regard to the Company's business and the insurable risks associated with it, and be assured that appropriate coverage is in place.
- Monitor compliance with applicable laws and regulations, review the procedures the Company has in place to ensure compliance and be assured that material compliance risks have been identified.

- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding fraud or non-compliance with applicable laws and regulations and the confidential, anonymous submission by employees of the Company of any concerns regarding business practices.
- Review, and make recommendations to the Board in relation to, any incidents involving fraud or other break down of the Company's internal controls.

The Board requires management to design and implement a risk management and internal control system to manage the Group's material business risks and report to it on the management of those risks. During the reporting period, management reported to the Board as to the effectiveness of the Company's management of its material business risks.

During the 2015 financial year:

- the Audit & Risk Committee received risk briefings at its meetings from external auditors, management, Head of Internal Audit and Process Improvement as well as Group Executive – Security & Compliance concerning the Group's key business operations. The Group's business divisions provide regular reporting on workplace safety practices and management within the Group;
- the Committee conducted the annual review of the Company's risk management framework and satisfied itself that the framework continues to be sound and effectively identifies potential risks;
- the Company conducted risk reviews and assessments in a series of workshops conducted by the Head of Internal Audit and Process Improvement jointly with Senior Management, which identified, assessed and ranked the main strategic risks, including material business risks, facing the Group in respect of which management continues to formulate and record the internal risk controls implemented for those risks; and
- the Board and Management continued to focus on driving enhanced risk assessment and mitigation processes in the areas of physical risk and systems risk through the Senior Group Executives respectively responsible for Security & Compliance and for Systems & Processes, each reporting to the Chief Executive Officer.

The Group Executive – Security & Compliance:

- undertook rigorous inspections of key operating business sites, reviewing security and emergency arrangements, as well as business continuity planning with respect to these sites and facilitated workshops with management and staff to drive the identification and effective management of physical risk and to promote a strong risk management culture; and
- reported to the Committee on recommendations to enhancements to safety and security processes and the implementation of recommendations.

The Group Executive – Performance:

- recommended and oversaw the commencement of the implementation a new business wide technology system within WesTrac Australia;
- participated in Global peer group technology and systems benchmarking and recommended a systems strategy designed to mitigate risk and provide the optimum business outcomes to the Group; and
- provided expertise, executive oversight and targeted implementation and change management review in relation to the execution of major group technology tenders and projects to ensure the achievement of project milestones and benefits as well as appropriate management and mitigation of project implement risks.

Internal Control Framework - Risk Assurance & Internal Audit

The Head of Internal Audit and Process Improvement reports to the Chairman of the Audit & Risk Committee. The Company also has an Internal Auditor for WesTrac China.

The Internal Audit function is charged with conducting detailed reviews of relevant controls in the areas of accounting, information and business operations and fulfilling a program of work to test controls implemented by management in these areas. The Audit & Risk Committee reviews and approves the Internal Audit function's Internal Audit plan, its resourcing as well as monitors its independence and performance. Internal Audit reviews carried out in accordance with the Internal Audit plan are reported to the Committee which reviews and ensures ownership by management in regard to Internal Audit's findings and recommendations and management's responsiveness to any required action items.

Risk Management Policy

The Company has adopted a Risk Management Policy to:

- ensure there is a consistency in the methods used in assessing, monitoring and communicating risks throughout the Company and that risk management efforts are aligned with the Company's strategic and business objectives; and
- promote a balanced approach to risk and return and to ensure that the Board knows in advance the risks of the business.

A summary of the Company's Risk Management Policy is available on the Company's website.

Material risks

Under the risk framework described above the Company has identified investment, financial and operational risks which it manages and mitigates. More detail concerning these risks, as well as the Company's sustainable business practices, is set out in the Operating and Financial Review of this Annual Report on pages 30 to 32. Each of the foregoing material business risks is monitored and managed by appropriate Senior Management within the Company who are delegated responsibility to manage or escalate issues to the Company's Senior Executive team. Where appropriate, external advisers are engaged to assist in managing the risk.

Workplace Safety

The Company is committed to providing a safe workplace and maintains comprehensive workplace safety policies and systems which are managed by health and safety specialists within the Company. Safety related arrangements, particularly within WesTrac's operations, are developed following a risk assessment process that considers potential events in accordance with current Emergency Risk Management guidelines. Workplace health and safety polices are promulgated to staff through induction and training and the availability of information on the Company's intranet as well as through Occupational Health & Safety representatives who ensure that any workplace safety issues are dealt with promptly and in a consultative manner.

Security arrangements at the Company's business sites are developed through formal security risk assessment and vulnerability determination processes using an 'all hazards' approach. Potential security related incidents are rated against consequence and likelihood and security plans are documented following a criticality assessment, incorporating internal prevention and preparedness measures, as well as internal and external emergency response arrangements.

Management provides leadership by promoting a culture of safety and risk identification and monitors and responds to incident reporting and provides regular workplace safety updates and briefings to the Board.

Additionally, to support well-being within the workplace, the Company provides a free and confidential external counselling service for employees and their immediate families.

Environment and Sustainability

Environmental risks are considered as part of the Company's risk assessment processes. Within WesTrac this process is driven by its Emergency Planning Committee. Environmental risks relating to the use or storage of hazardous materials are identified and managed through regular inspections of business premises, reviews of compliance and emergency procedures, and advice from external consultants and government agencies on environmental matters. Internal firefighting capabilities and equipment are regularly tested and emergency arrangements with key external response agencies have been established. WesTrac has developed an Environmental Charter which promotes the achievement of environmental and sustainability objectives across its operations through: the efficient use of energy, water and other finite resources which thereby reduces greenhouse gas emissions and waste; integrating environmental requirements into the design or modification of facilities to reduce life cycle costs and environmental impacts; and focusing on continuous improvement of environmental performance throughout the business.

WesTrac's main business premises at Guildford in Western Australia and Tomago in New South Wales are purpose-build for product distribution and each incorporated significant sustainable design features, including energy efficient lighting, rain water capture for onsite reuse, and native and drought resistant landscaping.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

The Directors consider that the attraction, retention and motivation of its Directors and senior executives is of critical importance in securing the future growth of the Company, its profits, share price and shareholder returns.

Remuneration & Nomination Committee

To assist in the adoption of appropriate remuneration practices, the Board has established a Remuneration & Nomination Committee. Details regarding the Committee are set out under "Principle 2 – Structure the Board to Add Value".

The primary responsibilities of the Committee which relate to remuneration are:

- to review and advise the Board on Directors' fees and the remuneration packages, including equity incentive grants, of the Managing Director & Chief Executive Officer, Chief Executives and senior executives of the Group subsidiaries;
- to provide advice and support and serve as a sounding-board for the Managing Director & Chief Executive Officer and the Board in human resource and remuneration-related matters; and
- to advise on succession planning and employee development policies.

It is the practice for the Managing Director & Chief Executive Officer to attend meetings of the Remuneration & Nomination Committee to report on, or seek approval of, senior Group Management's remuneration, but he is not present during meetings of the Committee (or the Board) when his own performance or remuneration are being discussed or reviewed.

Remuneration of Non-Executive Directors

The remuneration of the Non-Executive Directors is restricted, in aggregate, by the Constitution of the Company and the requirements of the *Corporations Act*.

Currently, Non-Executive Directors' remuneration in aggregate must not exceed $2 million per annum. Non-Executive Directors receive base fees and fees for chairing or serving on Board Committees. In contrast to Executive Directors and senior executives, Non-Executive Directors do not receive performance-related payments, although they may receive additional payments at the discretion of the Board where appropriate in relation to special services that they perform for the Company. Throughout the financial year no such additional fees were paid to Non-Executive Directors. Fees for Non-Executive Directors are set out in the Remuneration Report on pages 72 to 73.

No retirement benefits apply in respect of Company directorships other than superannuation contributions. During the financial year, three Non-Executive Director Retirement Deeds remained current in respect of Seven Network Limited. Following the retirement of Mr Peter Ritchie AO and Mrs Dulcie Boling as Directors on 19 November 2014, one Non-Executive Director Retirement Deed remains current. The benefits payable upon retirement under the Deeds were frozen on 1 August 2003 and from that date, retirement benefits have not been offered to any newly appointed Non-Executive Directors.

During the year, fees received by Non-Executive Directors were reviewed by Remuneration & Nomination Committee and the Committee recommended that the fees not be changed. There has been no change to the fees paid to Non-Executive Directors since their approval in 2010.

Remuneration of Executive Directors and senior executives

The objective of the remuneration process for Executive Directors and senior executives is to ensure that remuneration packages properly reflect the duties and responsibilities of employees and that remuneration is at an appropriate but competitive market rate which enables the Company to attract, retain and motivate people of the highest quality and best skills from the industries in which the Company operates. This policy provides for the Managing Director & Chief Executive Officer to consider the remuneration packages paid within the industry and the impact these people are expected to have on the operational and financial performance of the Company. Remuneration packages may be structured to include bonuses, options or share-based payments and the Company has established Share and Option Plans for that purpose. The payment of bonuses is based on the achievement of specific goals which relate to the performance of the Company or as otherwise specified in the relevant employment contracts. Options, performance share rights and share appreciation rights are issued as a part of remuneration packages where they are considered appropriate, with exercise prices and hurdle rates which reflect the long-term objectives of the Company.

Remuneration matters concerning WesTrac Senior Executives who are Key Management Personnel of the Company are brought to the Remuneration & Nomination Committee for its consideration. Otherwise, WesTrac largely determines performance-based incentives for senior employees and executives of the WesTrac Group within a budget approved by the Board and reported to the Remuneration & Nomination Committee. However, remuneration policy matters relating to WesTrac may also be brought to the Remuneration & Nomination Committee or Board as appropriate.

The Remuneration & Nomination Committee met after the end of the financial year to review and recommend to the Board any performance-based remuneration for the Managing Director & Chief Executive Officer during the financial year, Mr Don Volte AO, as well as for senior Company executives. This process and the outcomes are summarised in the Remuneration Report.

The key terms of Mr Ryan Stokes' employment arrangements as Managing Director & Chief Executive Officer were announced to ASX on 22 June 2015. Further information concerning Mr Ryan Stokes' employment and remuneration arrangements is set out in Remuneration Report. The Committee considered the proposed remuneration terms of Mr Ryan Stokes in a separate meeting and made a recommendation to the full Board (other than Mr Ryan Stokes and Mr Bruce McWilliam, who as a Senior Executive of the Company, reports to the Managing Director & Chief Executive Officer) for its consideration and approval.

Hedging Policy

The Company's Group Directors Share Trading Policy, and the Executive and Staff Share Trading Policy, prohibit employees (including Key Management Personnel (KMP)) from dealing in the Company's shares, if the dealing is prohibited under the *Corporations Act*.

Therefore, in accordance with this policy, all KMP are prohibited from entering into arrangements which operate to limit the executives' economic risk in relation to an element of their remuneration that has not yet vested or is subject to a holding lock. The ability to deal with unvested rights is restricted in the Employee Share Option Plan and LTI Plan rules, which apply to any options over shares in the Company which may be granted from time to time.

Further details relating to remuneration and the Company's remuneration policy, framework and structure are contained within the Remuneration Report on pages 51 to 73.

This statement has been approved by the Board and is current as at 26 August 2015.

Your Directors present their report together with the consolidated financial statements of the Group consisting of Seven Group Holdings Limited and the entities it controlled at the end of, or during, the year ended 30 June 2015 and the auditor's report thereon.

BOARD

The following persons were Board members of Seven Group Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Kerry Matthew Stokes AC (Executive Chairman)

Ryan Kerry Stokes (Managing Director & Chief Executive Officer from 1 July 2015; Chief Operating Officer from 28 August 2012 to 1 July 2015)

Donald Rudolph Voelte AO (Managing Director & Chief Executive Officer resigned 29 June 2015)

Terry James Davis

Christopher John Mackay

David Ian McEvoy (appointed 27 May 2015)

Bruce Ian McWilliam

The Hon Warwick Leslie Smith AM (appointed 12 September 2014)

Richard Anders Uechtritz

Professor Murray Charles Wells

Elizabeth Dulcie Boling (resigned 19 November 2014)

David John Leckie (Executive Director, Media resigned 22 August 2014)

Peter David Ritchie AO (Deputy Chairman resigned 19 November 2014)

Particulars of their qualifications, experience, special responsibilities and any directorships of other listed companies held within the last three years are set out in this Annual Report under the headings "Board of Directors" and "Corporate Governance Statement" and form part of this report.

Warren Walter Coatsworth is the Company Secretary. Particulars of Mr Coatsworth's qualifications and experience are set out in this Annual Report under the heading "Company Secretary".

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were those of a diversified operating and investment group; with interests in heavy equipment sales and service, equipment hire, media, broadcasting and energy assets.

BUSINESS STRATEGIES, PROSPECTS AND LIKELY DEVELOPMENTS

Information on the Group's operations, financial position, business strategies and prospects for future financial years has been included in the "Operating and Financial Review".

The Operating and Financial Review also refers to likely developments in the Group's operations and the expected results of those operations in future financial years. Information in the Operating and Financial Review is provided to enable shareholders to make an informed assessment about the business strategies and prospects for future financial years of the Group.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year were as follows:

- On 10 December 2014, the Company announced the completion of its 2014 on-market buy-back. 11.9 million ordinary shares were bought back at a cost of $84.4 million.
- On 24 December 2014, the Supreme Court of New South Wales granted the court order required to implement the Nexus Energy Limited deed of company arrangement proposal which would see Nexus Energy Limited acquired by a subsidiary of the Company.
- On 31 December 2014, the Company was advised by the administrator of Nexus Energy Limited that on the completion of the deed of company arrangement pursuant to orders in the Supreme Court of New South Wales on 24 December 2014, Nexus Energy Limited had become a subsidiary of the Company.
- On 25 February 2015, the Company announced details of an on-market buy-back of up to 17.7 million of the Company's shares, representing approximately 5.97 per cent of the Company's ordinary shares. The buy-back commenced on 23 March 2015 and at the date of this report, 78,481 ordinary shares have been bought back at a cost of $0.6 million.
- On 4 June 2015, following the conversion of 2,500 Convertible Preference Shares by a subsidiary company within the Group that resulted in the issue of a further 265,749,570 Seven West Media Limited ordinary shares, the Company's interest in Seven West Media Limited increased to 40.88 per cent.
- On 29 June 2015, Mr Donald Rudolph Voelte AO (Managing Director & Chief Executive Officer) resigned.

In the opinion of the Directors there were no other significant changes in the state of affairs of the Group that occurred during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

- On 1 July 2015, Mr Ryan Kerry Stokes was appointed Managing Director & Chief Executive Officer.
- Subsequent to year end, the Auriga well within the Crux permit was drilled, targeting the Montara, Plover and Nome reservoirs. Whilst it is believed that hydrocarbons were identified, the quantum and quality is still subject to technical and geological analysis to determine if the reservoir is economically accretive to the Crux joint operation.
- Subsequent to year end, there has been a decline in the share prices of listed investments and equity dividends and as a result the value of the Group's investments have declined from what is presented in the financial report. Refer to Note 27: Subsequent events for further detail.

Except for the above, there are no other matters or circumstances which have arisen since 30 June 2015 that have significantly affected or may significantly affect:

(a) the Group's operations in future financial years; or

(b) the results of those operations in future financial years; or

(c) the Group's state of affairs in future financial years.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2015, and the number of those meetings attended by each Director, were:

Director	Board		Audit & Risk		Remuneration & Nomination		Independent & Related Party	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
KM Stokes AC	13	13	–	–	3	3	–	–
PD Ritchie AO ^	3	3	3	3	2	1	–	–
DR Voelte AO =	14	14	6	6	3	3	–	–
DJ Leckie +	–	–	–	–	–	–	–	–
ED Boling ^	3	3	–	–	2	2	–	–
TJ Davis	13	13	–	–	5	5	4	4
CJ Mackay	13	12	6	5	–	–	4	3
DI McEvoy ~	2	2	–	–	–	–	1	1
BI McWilliam	14	14	6	6	–	–	–	–
WL Smith AM*	13	13	4	4	3	3	–	–
RK Stokes	14	14	6	6	2	2	–	–
MC Wells	14	14	6	6	–	–	4	4
RA Uechtritz	13	13	–	–	5	5	4	4

(a) The number of meetings held reflects the number of meetings held while the Director concerned held office during the year.

(b) The number of meetings attended. Please note Directors may attend meetings of Committees of which they are not a formal member, and in these instances, their attendance is also included in the above. A Director may also have been absent from a meeting, or part thereof, if there was a conflict of interest.

^ Resigned as Directors 19 November 2014.

= Resigned as Director 29 June 2015.

+ Resigned as Director 22 August 2014. Leave of absence granted prior to this date.

~ Appointed a Director 27 May 2015.

* Appointed a Director 12 September 2014.

On 24 February 2015, a Sub-committee of the Board met; Messrs K. Stokes AC, Davis, Mackay and Uechtritz were not members of this Sub-committee.

DIVIDENDS – ORDINARY SHARES

Since the start of the financial year, a final fully franked dividend for the 2014 financial period of 20.0 cents per share, amounting to $60,538,000, was paid on 13 October 2014.

Since the start of the financial year, an interim fully franked dividend for the 2015 financial year of 20.0 cents per share, amounting to $59,236,000, was paid on 10 April 2015.

A final fully franked dividend for the 2015 financial year of 20.0 cents per share of $59,236,000 will be paid on 9 October 2015, based on the number of issued shares at the date of this report.

DIVIDENDS – TELYS4

Since the start of the financial year, a fully franked dividend of $2.6176 per TELYS4 based on 4,963,640 TELYS4 on issue, amounting to $12,993,000 was paid on 1 December 2014.

A further fully franked dividend of $2.6370 per TELYS4 based on 4,963,640 TELYS4 on issue, amounting to $13,089,000 was paid on 1 June 2015.

ENVIRONMENTAL DISCLOSURE

In respect of the environmental regulations under any laws of the States, Territories and Commonwealth of Australia, the significant regulations that apply to the media operations of the entities the Company holds investments in are those guidelines and standards issued by the Australian Communications and Media Authority.

It is the Directors' understanding that the Company is fully compliant with the provisions of these guidelines and standards. Various State Environmental Protection Authorities have issued licenses to the Company under the laws of the respective States. All requirements and conditions of these licenses have been complied with to the satisfaction of the issuing authority.

The Company assesses the Group as part of its compliance with the National Greenhouse and Energy Reporting Act and will be reporting relevant emissions and energy usage and production for the Group for the financial year to the Clean Energy Regulator.

The Group is also subject to significant environmental regulations in respect of resources exploration, development and production activities. The Group is committed to undertaking all of its exploration, development and production activities in an environmentally responsible manner. The Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any significant breach of those environmental requirements as they apply to the resources operations of the Group.

There are no other particular environmental regulations applying to the Group.

DIRECTORS' INTERESTS IN SHARES

The relevant interest of each Director in ordinary shares, TELYS4 or options issued by the companies within the Group, as notified by the Directors to the Australian Securities Exchange in accordance with S205G(1) of the *Corporations Act*, at the date of this report is as follows:

DIRECTORS' HOLDINGS OF SEVEN GROUP HOLDINGS LIMITED SHARES AS AT 26 AUGUST 2015

	Ordinary Shares	Options over Ordinary Shares	TELYS4	Performance Rights
KM Stokes AC	207,304,349	Nil	Nil	Nil
TJ Davis	40,000	Nil	7,000	Nil
CJ Mackay	10,000	Nil	Nil	Nil
DI McEvoy	Nil	Nil	Nil	Nil
BI McWilliam	134,011	Nil	Nil	Nil
WL Smith AM	30,600	Nil	Nil	Nil
RK Stokes	185,780	Nil	Nil	57,251
RA Uechtritz	702,476	Nil	Nil	Nil
MC Wells	4,000	Nil	710	Nil

OPTIONS GRANTED OVER ORDINARY SHARES IN SEVEN GROUP HOLDINGS LIMITED

At the date of this report, there are no options or performance rights (other than as set out below) over ordinary shares or unissued ordinary shares in the Company. No options or rights have been exercised during or since the end of the financial year, nor have they expired.

PERFORMANCE RIGHTS

At the date of this report, there are 57,251 performance rights to an equivalent number of fully paid ordinary shares in the Company issued to Mr Ryan Stokes under the Company's Long-term Incentive Plan. In addition to the performance rights awarded to Mr Ryan Stokes, there are 120,195 performance rights issued to other senior executives. These rights were granted on 1 December 2014 and will expire on 30 June 2017. These rights do not carry an entitlement to participate in any share issue.

The names of the executives who previously held options, granted at any time, are entered in the Register of Options kept by the Company pursuant to Section 170 of the *Corporations Act*. The Register may be inspected free of charge.

Year ended 30 June 2015

MESSAGE FROM THE REMUNERATION & NOMINATION COMMITTEE

Dear Shareholders

On behalf of the Board, I am pleased to present the Remuneration Report for Seven Group Holdings for the 2015 financial year (FY15), which sets out remuneration information for Key Management Personnel and Non-Executive Directors. This is my first report as Acting Chairman of the Remuneration & Nomination Committee following Mr Peter Ritchie AO's retirement in November 2014.

CHANGES TO KEY MANAGEMENT PERSONNEL

Mr Don Voelte AO retired as Managing Director & Chief Executive Officer (MD & CEO) of the Company on 29 June 2015. We thank Don for his outstanding leadership and contribution, including two years as MD & CEO of Seven Group Holdings and one at Seven West Media, as well as his contributions towards establishing SGH Energy.

As a result of Mr Don Voelte AO informing the Board of his decision to retire, the Board appointed Group Chief Operating Officer, Mr Ryan Stokes, as incoming Managing Director & Chief Executive Officer on 1 July 2015. We congratulate Ryan on his appointment and look forward to working with him in his new role.

Remuneration arrangements for the incoming MD & CEO are set out in section 6.e of the Remuneration Report.

Details of all Key Management Personnel of the Group are set out in section 1 of the Remuneration Report.

2014 REMUNERATION REPORT VOTE

At its 2014 Annual General Meeting (AGM), the Company received a strike against adoption of the 2014 Remuneration Report. Following this, the Board sought feedback from relevant parties and undertook a comprehensive review of the remuneration framework and structure and the disclosure of its current practices.

At the time of the 2014 AGM, the FY15 remuneration packages had already been determined and it was not possible to make significant changes for the previous reporting period. On this basis, the disclosure throughout this Remuneration Report seeks to provide additional clarity around how remuneration has been structured and the rationale behind various remuneration decisions. Additionally, we have sought to provide guidance around changes to the Company's remuneration framework that will apply from the 2016 financial year (FY16).

The concerns identified by shareholders and their representatives in respect of the 2014 financial year (FY14) remuneration structure and the actions taken by the Board to address these are set out in section 2 of the Remuneration Report.

The principal changes relate to:

- **Improved disclosure of the remuneration framework:** disclosure in the 2015 Remuneration Report has been improved to ensure shareholders are presented with a clear and comprehensive disclosure of executive and Board remuneration. We have provided information to address concerns raised in relation to the 2014 Remuneration Report, expanding the rationale of the remuneration arrangements for the outgoing MD & CEO and clarified the disclosure arrangements for the EPS performance hurdle in the Company's long-term incentive plan.
- **Incoming MD & CEO remuneration:** the remuneration offered to the incoming MD & CEO has been set at a level consistent with the Company's peers.
- **MD & CEO performance linked remuneration:** the incoming MD & CEO will participate in short-term incentive (STI) and long-term incentive (LTI) plans consistent with those applying to other Key Management Personnel who are Group executives.

EXECUTIVE REMUNERATION OUTCOMES

In FY15, the Group operated in an extremely challenging environment and economy and the Board set a challenging budget reflective of market conditions.

The Group's Net Profit After Tax (NPAT) was a loss of $(359.1) million which was below the target $249.9 million.

Grants of performance rights under the LTI plan are made where the NPAT target is met. Performance rights granted under the LTI plan are subject to further vesting conditions. As a result of the Company's NPAT performance for the group, a grant of performance rights will not be made under the LTI plan in FY16 in respect of FY15 performance based on NPAT performance of the Company.

Awards under the STI plan are determined based on performance against a corporate goal (NPAT) and other goals which have both financial and non-financial measures. As a result of the Company's NPAT performance, the corporate goal pursuant to the FY15 STI plan was not achieved.

Under the design of the STI plan, performance against goals other than the corporate NPAT goal could trigger a partial award. However for FY15, while KMP Executives substantially achieved other goals, in light of the overall financial performance of the Group, the Board considered that the provision of STI payments to executives would not have been appropriate. As such the Board applied its discretion to determine that no awards be made under the FY15 STI plan. This exercise of downward discretion reflects the Board's commitment to maintaining the link between executive remuneration and Group performance.

Further details concerning executive remuneration arrangements and the performance linked remuneration outcomes for FY15 are set out in this Remuneration Report.

Yours faithfully

Richard Uechtritz
Acting Chairman of the Remuneration & Nomination Committee

REMUNERATION REPORT – AUDITED

This Remuneration Report for the year ended 30 June 2015 (FY15) outlines the remuneration arrangements of the Company and the Group in accordance with the *Corporations Act 2001* (the *Corporations Act*) and its regulations. This information has been audited as required by section 308(3C) of the *Corporations Act*.

The Remuneration Report is presented under the following main headings:

1. **Introduction**
2. **Remuneration governance**
3. **Executive remuneration principles and strategy**
4. **Link between remuneration and Group performance**
5. **Executive Chairman and Non-Executive Director remuneration framework**
6. **KMP Executive remuneration framework**
    a. Outgoing Managing Director & Chief Executive Officer remuneration
    b. Short-term incentive plan
    c. Long-term incentive plan
    d. Outgoing Managing Director & Chief Executive Officer long-term incentive plan
    e. Incoming Managing Director & Chief Executive Officer remuneration
7. **Key Management Personnel equity holdings**
8. **Key Management Personnel related party transactions**
9. **Legacy share-based remuneration**
10. **Summary of executive contracts**
11. **Remuneration in detail**

1. INTRODUCTION

The Remuneration Report outlines key aspects of remuneration policy, framework and remuneration awarded to Key Management Personnel (KMP) during FY15. KMP include Executive Directors, Non-Executive Directors and certain senior executives of the Group who have authority and responsibility for planning, directing and controlling the activities of the Group (Group Executives). Executive Directors and Group Executives are hereafter collectively referred to in this report as KMP Executives.

The Group's KMP for FY15 are listed in the table below.

Executive Directors	
Kerry Matthew Stokes AC	Executive Chairman
Donald Rudolph Voelte AO	Managing Director & Chief Executive Officer (MD & CEO) (retired 29 June 2015)
David John Leckie (resigned 22 August 2014)	Executive Director, Media
Bruce Ian McWilliam[a]	Commercial Director
Ryan Kerry Stokes	Group Chief Operating Officer
Non-Executive Directors	
Peter David Ritchie AO	Deputy Chairman (retired 19 November 2014)
Elizabeth Dulcie Boling	Director (retired 19 November 2014)
Terry James Davis	Director
Christopher John Mackay	Director
David Ian McEvoy	Director (appointed 27 May 2015)
Warwick Leslie Smith AM	Director (appointed 12 September 2014)
Richard Anders Uechtritz	Director
Professor Murray Charles Wells	Director
Group Executives	
Melanie Jayne Allibon[a]	Group Executive, Human Resources
Martin Bryant (resigned 31 December 2014)	Chief Executive Officer, WesTrac China
Jarvas Ernest Croome	Chief Executive Officer, WesTrac Australia
Lawrence Luo (appointed 1 January 2015)	Chief Executive Officer, WesTrac China
Richard Joseph Richards	Group Chief Financial Officer

(a) Mrs Melanie Allibon and Mr Bruce McWilliam are employed by Seven West Media Limited and their services are provided to Seven Group Holdings Limited under a company to company agreement. Remuneration disclosed in this report relates to amounts paid by Seven Group Holdings Limited to Seven West Media Limited in respect of their services. Remuneration for Mr Bruce McWilliam also includes payments to a company associated with Mr Bruce McWilliam that was party to a consulting agreement with the Group.

Changes since the end of the reporting period

Following the end of FY15, on 1 July 2015, Mr Ryan Stokes was appointed Managing Director & Chief Executive Officer (MD & CEO) of the Company. Prior to his appointment as MD & CEO, Mr Ryan Stokes was Group Chief Operating Officer until 30 June 2015.

Mr James Robert Scott was appointed to the KMP Executive role of Group Chief Operating Officer from 1 July 2015.

2. REMUNERATION GOVERNANCE

Role of the Remuneration & Nomination Committee

The role and responsibilities of the Remuneration & Nomination Committee (the Committee) are explained in detail in the Corporate Governance Statement. The key responsibilities of the Committee are summarised below and include the following:

- Make recommendations to the Board in relation to the remuneration of the MD & CEO and Non-Executive Directors, as necessary, or requested by the Board;
- Review and make recommendations to the Board on all proposed offers to participate in, and all grants made pursuant to, the Company's equity plans and the overall functioning of the equity plans; and
- Review and advise on senior management succession planning and employee development policies, as requested by the Board or the MD & CEO.

During the financial year the Remuneration & Nomination Committee (the Committee) comprised the following members:

RA Uechtritz (Acting Chairman of the Committee from 19 November 2014)

PD Ritchie AO (Chairman of the Committee until retirement on 19 November 2014)

ED Boling (retired 19 November 2014)

TJ Davis

WL Smith AM (appointed 19 November 2014)

Engagement of remuneration advisers

The Remuneration & Nomination Committee obtains independent advice on the appropriateness of remuneration arrangements for the KMP, as required. Advice is sought in relation to remuneration trends for comparative companies both locally and internationally. Any advice received by the Company is considered in light of the Company's remuneration policy and objectives.

During FY15 no remuneration recommendations, as defined by the *Corporations Act*, were requested by or provided to the Remuneration & Nomination Committee or the Board by any remuneration consultant.

During FY15 Mercer Consulting (Australia) Pty Ltd (Mercer) was engaged by the Company to provide market remuneration data on KMP Executive roles. In the course of providing this information, the Board is satisfied that Mercer did not make any remuneration recommendations as defined by the *Corporations Act* relating to Key Management Personnel.

2014 Remuneration Report First Strike

Despite achieving performance against challenging targets in the 2014 financial year (FY14), at the 2014 Annual General Meeting (AGM) the Company received 32.62 per cent of votes cast against our Remuneration Report. In contrast, in 2013, 16.53 per cent of shareholders voted against the Remuneration Report and in 2012, 0.77 per cent of shareholders voted against the Remuneration Report. This changing sentiment concerned the Board.

As part of the review post the 2014 AGM, members of the Board and the Company met with numerous shareholders to discuss the Company's remuneration arrangements. The Board appreciated the engagement with shareholders who have taken the time to share their views.

The issues identified by shareholders and their representatives in respect of the FY14 remuneration structure, the Remuneration Report and the actions taken by the Board to address these are:

High fixed remuneration of MD & CEO (Mr Don Voelte AO, retired 29 June 2015)	The Board recognises that the remuneration required to retain the outgoing MD & CEO, Mr Don Voelte AO, was at a level higher than the Company's peers. A detailed explanation of the rationale of the Board in setting remuneration arrangements of the outgoing MD & CEO is set out in section 6.a of the Remuneration Report. The remuneration offered to the incoming MD & CEO, Mr Ryan Stokes is at a level consistent with the Company's peers and is set out in Section 6.e of the Remuneration Report. Additionally, the Company determined not to make a short-term incentive plan award to Mr Don Voelte AO or to other KMP Executives in respect of FY15 performance.
Absence of performance hurdles (other than share appreciation) in the MD & CEO LTI plan / performance hurdles are considered to be inconsistent with domestic market good governance principles	In establishing the performance linked components of the outgoing MD & CEO's remuneration, the Board considered the anticipated medium-term nature of Mr Don Voelte AO's appointment did not lend itself to a traditional long-term incentive plan and that a share appreciation target was the most effective means of focusing the MD & CEO on unlocking unrealised share price value of the Company. Further details on the rationale behind the design of the outgoing MD & CEO's long-term incentive plan is set out in section 6.a of the Remuneration Report. The incoming MD & CEO will participate in the Company's LTI plan, approved by shareholders at the 2012 AGM which includes an NPAT hurdle on grant and, once granted, Total Shareholder Return (TSR) and Earnings Per Share (EPS) hurdles that determine level of vesting.
MD & CEO on separate LTI plan to other KMP Executives	In setting Mr Don Voelte AO's remuneration the Board determined to provide Mr Don Voelte AO with a long-term incentive component of his remuneration that is structured differently to the rest of the executive team, specifically designed to incentivise Mr Don Voelte AO to increase the Company's share price. The incoming MD & CEO, Mr Ryan Stokes, will participate in the Company's long-term incentive plan applying to other executives.
Disclosure of EPS Performance Hurdle in Company LTI plan	The Board has determined to disclose EPS targets retrospectively. The first grant under the Company's LTI plan occurred in FY15, in respect of FY14 performance and, therefore, the EPS target for year one of the three year performance period is disclosed in section 6.c of this 2015 Remuneration Report. The Board disclosed prospectively in the 2014 Remuneration Report that the threshold EPS hurdle will be the aggregate of budget EPS targets for each financial year of the performance period and the stretch EPS hurdle is the aggregate of budget EPS plus 10% for each financial year of the performance period.

The Board has undertaken a comprehensive review of the remuneration framework and structure and the disclosure of its current practices. The disclosure throughout this Remuneration Report seeks to transparently explain how the remuneration has been structured and the rationale for various remuneration decisions.

At the time of the 2014 AGM, the FY15 remuneration packages had already been determined and it was not possible to make significant changes for FY15, however ,changes have been introduced which will apply from the beginning of the 2016 financial year (FY16).

The action taken by the Board for FY16 includes:

- Appointment of the incoming MD & CEO, Mr Ryan Stokes on a level of fixed remuneration consistent with the Company's peers, fixed annual remuneration of $1,600,000 (outgoing MD & CEO's fixed remuneration was $3,200,000); and
- Appointment of the incoming MD & CEO on performance linked remuneration plans consistent with other KMP Executives.

The remuneration framework changes applying to FY16 and beyond for the Company are summarised as follows:

Element	Purpose	Performance metrics	2015	2016
Fixed Remuneration (FR)	Provide competitive market salary including superannuation and non-monetary benefits	Nil	MD & CEO: Position at above market rate	MD & CEO: In line with market positioning
			Other KMP Executives: In line with market positioning	Other KMP Executives: No change
Short-Term Incentive (STI)	Reward for in-year performance	Company goal: NPAT. The Board has discretion to exclude exceptional or significant items from the calculation of NPAT	MD & CEO: 75% of FR	MD & CEO: 50% of FR
		Other goals: Performance against various budget measures, leadership and staff development, cost management and delivery of cost targets, analysis and execution of investment opportunities	Other KMP Executives: 50% of FR	Other KMP Executives: No change
Long-Term Incentive (LTI)	Alignment to long-term shareholder value	MD & CEO: Share appreciation	MD & CEO: 50% of FR	Removal of MD & CEO LTI Plan
		Other KMP Executives: NPAT hurdle on LTI grant. If NPAT met, performance rights awarded with 50% based on 3 year relative TSR performance and 50% based on 3 year EPS performance	Other KMP Executives: 50% of FR	MD & CEO participates on terms consistent with other KMP Executives Other KMP Executives: No change

3. EXECUTIVE REMUNERATION PRINCIPLES AND STRATEGY

Remuneration principles

The Group's executive reward structure has been designed to attract and retain high performing individuals, align executive reward to the Company's business objectives and to create shareholder value.

The Board's objective is to ensure remuneration packages appropriately reflect employees' duties, responsibilities and levels of performance, as well as ensuring that remuneration attracts and motivates people of the highest calibre.

The key principles of the Group's executive reward structure are to:

- Ensure the Group's remuneration structures are equitable and rewards are aligned to the creation of shareholder value, implementation of business strategy and delivering results;
- Ensure that remuneration packages properly reflect the duties and responsibilities of the employees and that the remuneration is at an appropriate, competitive market rate which enables the Group to attract, retain and motivate people of the highest calibre;
- Provide a balance between fixed remuneration and at-risk elements and short- and long-term outcomes that encourages appropriate behaviour to provide reward for short-term delivery and long-term sustainability; and
- Implement targeted goals that encourage high performance and establish a clear link between executive remuneration and performance, both at Company and individual business unit levels.

Remuneration strategy

The following diagram illustrates how the Group's remuneration principles are linked to, and support the business' objectives and how they are aligned to the long-term interests of shareholders and the creation of sustainable shareholder returns.

Business objective

Deliver strong revenue and earnings growth in core operating businesses. Efficiently allocate capital to work with investee companies in which it has a significant stake to increase the value of its investments.

Remuneration strategy and objectives

Attract, retain and motivate people of the highest calibre
Attract, motivate and retain key talent by providing market competitive remuneration, which provides a mix of fixed and variable short-term and long-term incentives.

Align remuneration structures with the creation of shareholder value, implementation of business strategy and delivering results
Short-term and long-term incentive outcomes are dependent on the achievement of financial and non-financial business objectives, and shareholder return measures including Total Shareholder Return (TSR) and Earnings Per Share (EPS).

Fixed remuneration	Short-term incentives	Long-term incentives
FR consists of base salary as well as employer superannuation contributions. FR is set by having regard to listed companies of a similar size and complexity. Non-monetary benefits are provided in addition to FR. Non-monetary benefits, as disclosed in the remuneration tables, include benefits paid for by the Company such as car parking and tickets to events.	The STI plan delivers an annual incentive where executives have achieved stretching performance measures. In the case of the outgoing MD & CEO the incentive is delivered via deferred shares and cash, and for all other KMP Executives including the incoming MD & CEO the incentive is delivered in cash. Performance is typically measured using a mix of corporate goals such as NPAT and other goals including: • Divisional profit before significant items, net finance costs and tax (EBIT) performance; • Leadership and staff development; • Strategic direction; and • Investment performance.	**Outgoing MD & CEO** The outgoing MD & CEO's LTI plan provides annual grants of cash-settled share options which provide an opportunity for the MD & CEO to be paid a cash amount based on the increase in the Company's share price over a defined exercise price subject to the satisfaction of specified vesting conditions. The plan is designed to encourage sustained long-term performance and enhance the alignment between the interests of the MD & CEO and those of shareholders by rewarding the MD & CEO for increasing the market value of the Company. **KMP Executives (including incoming MD & CEO)** The KMP Executive LTI plan provides an opportunity for grants of performance rights to selected executives including the incoming MD & CEO. Grants are only made if the financial performance targets for the relevant financial year are achieved. The plan provides that any grants made are subject to further performance hurdles of Earnings per Share growth and relative Total Shareholder Return over a three-year period.

Minimum shareholding guidelines for KMP Executives

With effect from 1 July 2012, the Board implemented minimum shareholding guidelines to encourage KMP Executives to hold Seven Group Holdings Limited shares and further align their interests with those of shareholders. The guidelines impose a minimum level of shareholding based on the KMP Executive's length of service with the Group, as set out in the table below.

Years of service of KMP Executive	Minimum value of shares to be held by KMP Executive
5	20% of annual fixed remuneration
10	40% of annual fixed remuneration
15	60% of annual fixed remuneration
20	80% of annual fixed remuneration

Shareholdings for each KMP are detailed in section 7 of the Remuneration Report.

4. LINK BETWEEN REMUNERATION AND GROUP PERFORMANCE

The remuneration framework of the Group is designed to offer appropriate rewards for those giving superior performance. It is designed to closely align the interests of executives to those of shareholders and other stakeholders.

The remuneration structure is focused on achievement of the Group's financial and operating objectives. The incentive to achieve these objectives is an important contributing factor in the Group's financial performance and, ultimately, the value of the Company's shares and distributions to shareholders.

The Group encountered an extremely challenging year and its financial results and remuneration outcomes reflect the challenging market conditions.

Group performance is linked to the LTI plan through the NPAT hurdle and the EPS and TSR targets.

Group performance is linked to the STI plan through the NPAT target. Awards under the STI plan are determined based on performance against a corporate goal (NPAT) and other goals which have both financial and non-financial measures. The corporate goal component of the STI plan was not achieved based on NPAT performance of the Company.

Under the design of the STI plan, performance against goals other than the corporate NPAT goal could trigger a partial award. However, while KMP Executives substantially achieved their goals other than NPAT in FY15, in light of the overall financial performance of the Group the Board considered that a partial STI award would not have been appropriate.

To ensure that the pay outcomes for executives are closely aligned with the financial performance for the year, the Board determined:

- No awards will be made under the STI plan for FY15 performance; and
- No awards will be made under the LTI plan in FY16 in respect of FY15 performance.

The table below shows the Group performance in key areas for the last five financial years.

	2015	2014	2013	2012	2011
Statutory NPAT ($m)	$(359.1)	$262.5	$488.6	$176.7	$79.9
NPAT (excluding significant items) ($m)[(a)]	$204.3	$253.2	$398.9	$343.2	$248.3
Significant items ($m)	$(563.4)	$9.3	$89.8	$(166.5)	$(168.4)
Dividends per ordinary share	40.0 cents	40.0 cents	40.0 cents	38.0 cents	36.0 cents
Share price at financial year end	$6.54[(b)]	$7.41[(b)]	$6.90	$7.74	$9.63
Statutory basic EPS	$(1.29)	$0.77	$1.49	$0.43	$0.12
EPS (excluding significant items)	$0.59	$0.74	$1.20	$0.98	$0.67
Total Shareholder Return	(4.2)%	12.9%	(6.5)%	(16.5)%	75.3%

(a) NPAT (excluding significant items) is a non-IFRS measure. This measure is used internally by management to assess the performance of the business and hence is provided to enable an assessment of remuneration compared to Group performance. Refer to the Operating and Financial Review for reconciliation to statutory net profit after tax.

(b) On 11 December 2013, the Group announced it would undertake an on-market buy-back of up to 11.9 million of the Company's shares, representing approximately 3.86 per cent of the Company's ordinary shares. The Company completed the on-market share buy-back on 9 December 2014 as the target of 11.9 million of the Company's shares had been acquired and subsequently cancelled. A further share buy-back was announced on 25 February 2015, with a target of 17.7 million shares, being approximately 5.97 per cent of the Company's issued capital. At 30 June 2015, 78,481 shares had been acquired on-market and subsequently cancelled.

5. EXECUTIVE CHAIRMAN AND NON-EXECUTIVE DIRECTOR REMUNERATION FRAMEWORK

Non-Executive Director remuneration is reviewed by the Board, taking into account the recommendations of the Remuneration & Nomination Committee and, as appropriate, external benchmarking of remuneration for Non-Executive Directors of comparable companies.

The objective of the Committee in making its recommendations is to attract, retain and properly motivate Directors who will, through their contribution to the Board and the Group, work towards creating sustainable value for shareholders and stakeholders.

Approved fee pool

In accordance with the Company's Constitution and the requirements of the *Corporations Act* and ASX Listing Rules, the aggregate fees payable to the Non-Executive Directors are set at a maximum level approved by shareholders. The current aggregate pool available for the payment of fees to the Executive Chairman and Non-Executive Directors is $2 million per annum.

Executive Chairman and Non-Executive Director fees

The Executive Chairman receives a fixed director's fee which is paid in the form of cash and statutory superannuation contributions. The Executive Chairman does not receive any additional fees for being the Chair or a member of a Board Committee.

Non-Executive Directors receive a fixed fee which includes a base fee and additional fees for being the Chair or member of a Board Committee (Committee fees). Board and Committee fees are paid in the form of cash and statutory superannuation contributions.

The Executive Chairman and the Non-Executive Directors do not receive any variable remuneration or other performance related incentives such as options or rights to shares, and no retirement benefits (except as outlined below) are provided to the Executive Chairman or to Non-Executive Directors.

The table below sets out the base and Committee fees inclusive of superannuation which applied during FY15. There was no increase in fees during FY15, which have remained unchanged since August 2010.

Executive Chairman fees	
Fee	$350,000
Non-Executive Director fees	
Base fee	$150,000
Committee Chair fees	
Audit & Risk	$60,000
Remuneration & Nomination	$40,000
Independent & Related Party	$40,000
Committee member fees	
Audit & Risk	$20,000
Remuneration & Nomination	$20,000
Independent & Related Party	$20,000

Non-Executive Director Retirement Benefits

A Retirement Deed was previously entered into with three qualifying Non-Executive Directors of Seven Network Limited in relation to the benefit payable on retirement to Directors who have served more than five years as Seven Network Limited Directors. The benefits payable upon retirement under the Deeds were frozen on 1 August 2003 at three times the average of the Directors' emolument over the previous three years and no further increases will apply.

Mr Peter Ritchie AO and Mrs Dulcie Boling retired as Non-Executive Directors during FY15 and qualified for retirement benefits. Details of the retirement benefits paid to Mr Peter Ritchie AO and Mrs Dulcie Boling are set out in section 11 of the Remuneration Report.

One Non-Executive Director Retirement Deed now remains current in respect of Seven Network Limited.

6. KMP EXECUTIVE REMUNERATION FRAMEWORK

The Group's remuneration structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for shareholders.

Total remuneration comprises of fixed and variable remuneration (which is dependent on the achievement of financial and non-financial performance measures).

The Group aims to reward KMP Executives with a level and mix (comprising fixed remuneration, short- and long-term incentives) of remuneration appropriate to their position, responsibilities and performance within the Group and aligned with market practice.

The Group's policy is to position total reward for KMP Executives principally within a competitive range of its peers which includes Australian listed companies with characteristics most like Seven Group Holdings Limited when compared against a set of financial and qualitative metrics.

Total reward opportunities are intended to provide the opportunity to earn median to top quartile rewards for outstanding performance against stretch targets set.

Fixed remuneration

Fixed remuneration consists of base salary, as well as employer contributions to superannuation funds.

Remuneration levels are reviewed by the Remuneration & Nomination Committee through a process that considers individual, segment and overall performance of the Group. In addition, external consultants may be requested to provide analysis and advice to ensure the KMP Executives' remuneration is competitive in the market place.

Variable remuneration

Performance linked remuneration is designed to reward KMP Executives for meeting or exceeding financial and individual objectives.

Further details on the STI and LTI plans are set out below.

Remuneration mix

The following table outlines the current target remuneration mix for the MD & CEO and other KMP Executives (excluding the Executive Chairman who does not receive any variable remuneration). The MD & CEO has a higher proportion of remuneration "at-risk" (and subject to performance conditions) to reflect the greater responsibility and accountability for the business' performance relative to other KMP Executives.

KMP Executives	Position	FR	STI	Deferred STI	LTI
DR Voelte AO	MD & CEO	45%	22%	11%	22%
MJ Allibon[(a)]	Group Executive, Human Resources	100%	–	–	–
M Bryant[(b),(c)]	Chief Executive Officer, WesTrac China	100%	–	–	–
JE Croome	Chief Executive Officer, WesTrac Australia	50%	25%	–	25%
DJ Leckie[(c)]	Executive Director, Media	100%	–	–	–
BI McWilliam[(a)]	Commercial Director	100%	–	–	–
L Luo[(d)]	Chief Executive Officer, WesTrac China	67%	33%	–	–
RJ Richards	Group Chief Financial Officer	50%	25%	–	25%
RK Stokes	Group Chief Operating Officer	50%	25%	–	25%

(a) Mrs Melanie Allibon and Mr Bruce McWilliam are employed by Seven West Media Limited and do not participate in performance linked remuneration plans with Seven Group Holdings Limited but may have the opportunity to receive discretionary incentive payments. Neither Mrs Allibon nor Mr McWilliam received any discretionary incentive payments for FY15.

(b) KMP Executive ceased 31 December 2014.

(c) Mr Martin Bryant and Mr David Leckie did not participate in performance linked remuneration.

(d) KMP Executive commenced 1 January 2015.

A. OUTGOING MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER REMUNERATION

The details in this section relate to arrangements for Mr Don Voelte AO who ceased as MD & CEO on 29 June 2015. Remuneration arrangements for the incoming MD & CEO, Mr Ryan Stokes are detailed in section 6.e of the Remuneration Report.

The remuneration mix for the outgoing MD & CEO comprised both a fixed component and a variable (or "at risk") component (which comprises separate short-term incentive and long-term incentive elements). These components are explained in detail below.

Fixed remuneration

The outgoing MD & CEO's fixed remuneration was $3,200,000 per annum inclusive of superannuation.

Variable remuneration

The outgoing MD & CEO was eligible to participate in performance linked remuneration under an STI plan and an LTI plan. Further details on the STI and LTI plans applying to the outgoing MD & CEO are set out in section 6.b and 6.d of the Remuneration Report.

Due to the performance of the Group in FY15, no STI payment will be made to the outgoing MD & CEO or other KMP Executives for FY15.

Rationale for outgoing MD & CEO remuneration arrangements

Under the Board's Charter, the appointment of the MD & CEO is a matter for the Board. The Board, with assistance from the Remuneration & Nomination Committee in accordance with its Charter, establishes remuneration structures for management which will attract and retain senior executives as well as reward them and provide motivation to achieve company performance objectives and personal behavioural goals.

The Board takes its responsibilities with regard to remuneration levels very seriously and throughout the year ensures that: the Remuneration & Nomination Committee meets regularly to perform its function; that the performance of management is formally reviewed on an annual basis; and that the clear relationship between performance and remuneration is maintained.

Mr Don Voelte AO was appointed MD & CEO effective from 1 July 2013. In reviewing the circumstances of the Company at the time of his appointment, the Board recognised that in order to build upon the solid foundations established since the formation of the Company, a succession process for senior management was required to position the Company for the next phase of its development. The Board also recognised that with the mining and media sectors experiencing challenging market conditions and structural changes, it was in the interests of the Company to seek to expand the Group's investments to include new sectors both domestically and offshore, including the energy sector, should appropriate value-creating opportunities be identified.

The Board identified Mr Don Voelte AO as the outstanding executive with the necessary skills, expertise and experience to undertake the role. The Board consider that Mr Don Voelte AO is uniquely qualified for the position given his extensive experience and demonstrated performance in influencing achievement of substantial business strategy as a CEO in both Australia and the United States, including significant experience as a CEO in the energy sector and experience in the media sector. Mr Don Voelte AO's valuable global experience also positioned him well to ensure wealth creation and the development of the next generation of leadership within the Group. Mr Don Voelte AO's ability to generate sustained shareholder value is globally recognised, being one of only three ASX CEOs to be included on Harvard Business School's 100 Best Performing CEOs in the World.

In setting Mr Don Voelte AO's fixed remuneration the Board was required to have regard to these qualitative factors relevant to Mr Don Voelte AO's capabilities and qualifications for the role. The Board strongly believes these factors, as well as the challenging strategic requirements of the role at this key juncture in the Company's development, provided reasonable basis to distinguish Mr Don Voelte AO's fixed remuneration from remuneration set purely on an Australian listed company market capital comparison. Additionally, given Mr Don Voelte AO's global experience and the market in which the Company is competing in for an executive of Mr Don Voelte AO's skill set, the Board was required to have regard to fixed remuneration of global CEOs in the energy sector.

The Board also considered that at the time of Mr Don Voelte AO's appointment, that Mr Don Voelte AO's tenure as MD & CEO of the Company was anticipated to be around three years, subject to the Board's and Mr Don Voelte AO's review of progress towards the objectives which he had been tasked to achieve. The anticipated medium term nature of Mr Don Voelte AO's appointment did not lend itself to a traditional long-term incentive plan. Furthermore, the Board considered that the Company's share price was trading at a significant discount to the Company's value. The Board considered that the Long-term Incentive Plan established for the MD & CEO (MD & CEO LTI Plan), which, subject to conditions set out in section 6.c of the Remuneration Report grants Mr Don Voelte AO Share Appreciation Rights, was the most effective means of focusing the MD & CEO on unlocking unrealised share price value. In establishing the MD & CEO LTI Plan for Mr Don Voelte AO, the Board considered that Mr Don Voelte AO has demonstrated his ability to oversee significant business expansion and to effect a significant share price increase, as he delivered while he was MD & CEO of Woodside Petroleum for over 7 years from 2004 to 2011.

The differential remuneration structures for Mr Don Voelte AO reflect his executive seniority within the Group's management structure at the time of his appointment, and importantly, the challenging strategic requirements of the role, particularly, in regard to Mr Don Voelte AO's contribution to the deployment of the Company's capital investments undertaken by the Group, driving efficiencies in challenging market conditions and completion of a succession process for senior Group management.

In assessing Mr Don Voelte AO's performance against the strategic targets established for him, Mr Don Voelte AO successfully delivered on the Board's initial expectations, executing the leadership changes across the Group's businesses by introducing a significant level of new capable talent at executive and senior leadership levels who are driving fundamental changes to meet the changing demands of the mining sector. Mr Don Voelte AO has undertaken significant cost reduction initiatives, has reviewed processes within the Group with a particular focus on major technology tenders and systems implementation, setting the foundations for future growth across our industrial services businesses and media investments.

The Board therefore considers that, based on the rationale provided above, that the remuneration arrangements for Mr Don Voelte AO as MD & CEO were appropriate in the circumstances.

B. SHORT-TERM INCENTIVE PLAN

Certain KMP Executives, including the outgoing MD & CEO, participated in the Company's STI plan in FY15 which provided executives with the opportunity to receive an annual incentive subject to the achievement of corporate and other performance objectives.

References in this section to MD & CEO relate to Mr Don Voelte AO who ceased as MD & CEO on 29 June 2015. The incoming MD & CEO, Mr Ryan Stokes, will participate in the short-term incentive plan on terms identical to other KMP Executives as set out in this section.

STI delivery

For the outgoing MD & CEO, two-thirds of the STI is awarded as a lump sum cash payment after corporate and other goals have been measured and assessed.

For the outgoing MD & CEO, one-third of the award is deferred into restricted shares. The deferred portion of STI is not subject to further performance conditions. The shares vest in three equal tranches, over a period of three years.

For other KMP Executives, including the incoming MD & CEO, the STI is awarded as a cash payment after corporate and other goals have been measured and assessed following the end of the financial year.

STI awards, including the corporate goals component of the STI award, are not provided in circumstances where individual performance is unsatisfactory.

STI opportunity

The weighting between corporate and other goals and the target opportunity under the STI plan for each KMP Executives participating in the STI plan are set out in the following table.

KMP Executive	Position	Target STI opportunity (as a percentage of FR)	Corporate goal weighting	Other goals weighting
DR Voelte AO	Managing Director & Chief Executive Officer	75%	50%	50%
JE Croome	Chief Executive Officer, WesTrac Australia	50%	40%	60%
L Luo	Chief Executive Officer, WesTrac China	50%	40%	60%
RJ Richards	Group Chief Financial Officer	50%	40%	60%
RK Stokes	Group Chief Operating Officer	50%	40%	60%

Corporate goals

The corporate goals for each of the STI participants are determined relative to the Group's statutory NPAT performance. Subject to Board discretion the statutory NPAT outcome may be calculated before significant items. The statutory NPAT target for FY15 was $249.9 million.

Other goals

The other goals for each of the STI participants are measured using a balanced scorecard approach based on measurable and quantifiable targets. Financial and non-financial measures are differentially weighted to reflect the different focus for KMP Executives in driving the overall business strategy. Example scorecard measures for participants are set out in the table below.

The Board retains discretion to determine whether STI awards based on individual goals are appropriate based on the overall performance of the KMP Executive and the Group.

Position	Performance measures
MD & CEO	Other goals are assessed against specified criteria: • Performance against budget; • Leadership and staff development; • Strategic direction; • Investment performance; and • Direction regarding the Company's operating businesses.
KMP Executives	Other goals are assessed against specified criteria, for example: • Divisional EBIT performance; • Performance against various budget measures; • Leadership and staff development; • Cost management and delivery of cost targets; • Analysis and execution of investment opportunities; • Monitoring Group investments; and • Representation of the Company to relevant stakeholders.

Performance measurement

The Committee assesses the performance of the MD & CEO and makes a recommendation on the level of STI award to the Board for approval. The performance of other KMP Executives against targets is assessed by the MD & CEO and the level of STI award is recommended to the Committee for approval.

FY15 STI outcomes

Executive variable remuneration outcomes in FY15 were dependent on both the Group's achievement of its NPAT target, which was not achieved, and on individual executive performance outcomes against financial and non-financial key performance indicators.

Under the design of the STI plan, performance against goals other than the corporate NPAT goal can trigger a partial award. In FY15, KMP Executives delivered a strong performance in challenging conditions to substantially achieve their goals other than NPAT. However, in light of the overall financial performance of the Group, the Board used its discretion to determine that no awards be made under the STI plan. The Board exercised this discretion to better align the outcomes experienced by shareholders during the year with the financial outcome achieved by the KMP Executives. KMP Executives endorsed this outcome given the restructuring within the Group that was required to be undertaken in FY15.

The table below provides the weighting of corporate and other goals, the level of performance achieved and cash incentive (expressed as a percentage of fixed remuneration) awarded for FY15.

KMP Executive	Position	Weighting	Level of achievement	Cash incentive awarded for 2015 (as a percentage of FR)	Deferred equity incentive awarded for 2015 (as a percentage of FR)	Percentage of STI awarded	Percentage of STI not awarded
DR Voelte AO	MD & CEO	Corporate goals (50%)	Not Achieved	0%	0%	0%	100%
		Other goals (50%)	Substantially Achieved[(a)]				
JE Croome	Chief Executive Officer, WesTrac Australia	Corporate goals (40%)	Not Achieved	0%	NA	0%	100%
		Other goals (60%)	Partially Achieved[(a)]				
L Luo	Chief Executive Officer, WesTrac China	Corporate goals (40%)	Not Achieved	0%	NA	0%	100%
		Other goals (60%)	Partially Achieved[(a)]				
RJ Richards	Group Chief Financial Officer	Corporate goals (40%)	Not Achieved	0%	NA	0%	100%
		Other goals (60%)	Substantially Achieved[(a)]				
RK Stokes	Group Chief Operating Officer	Corporate goals (40%)	Not Achieved	0%	NA	0%	100%
		Other goals (60%)	Substantially Achieved[(a)]				

(a) Achievement of other goals under the terms and conditions of the STI plan can trigger an STI award however the Board elected to exercise its discretion to reduce the STI award to zero for FY15.

C. LONG-TERM INCENTIVE PLAN

Selected KMP Executives, excluding the outgoing MD & CEO but including the incoming MD & CEO, participate in an LTI plan which was approved by shareholders at the 2012 AGM held on 15 November 2012. The outgoing MD & CEO participated in a separate LTI plan which is described at section 6.d of the Remuneration Report. The purpose of the LTI plan is to encourage sustained performance, drive long-term shareholder value creation and ensure alignment of executive remuneration outcomes to shareholder interests.

LTI opportunity

Details of KMP Executives participating in the LTI plan in FY15 and their target opportunity under the LTI plan are set out in the following table.

KMP Executive	Position	Target LTI opportunity (as a percentage of FR)
JE Croome	Chief Executive Officer, WesTrac Australia	50%
RJ Richards	Group Chief Financial Officer	50%
RK Stokes	Group Chief Operating Officer	50%

Awards under the LTI plan are only made if the NPAT target for the relevant year has been achieved and, once granted, awards only vest if the performance hurdles over the three-year performance period are met. LTI awards are structured as rights to acquire ordinary shares in the Company at no cost to the participant and will only deliver benefits to participants if certain earnings targets and shareholder returns are achieved and the KMP Executive remains employed by the Company over the three-year performance period.

Rights were granted under the LTI plan during FY15 in respect of FY14 performance and are currently on foot in accordance with the vesting conditions of the LTI plan.

The statutory NPAT target for FY15 was $249.9 million. The FY15 NPAT target set by the Board was not achieved and as a result the Board has determined that LTI awards will not be granted in FY16 in respect of FY15 performance.

Further details on the LTI plan are set out below.

Long-Term Incentive plan	
What will be granted?	Subject to the achievement of financial targets for the relevant financial year, performance rights will be granted for nil consideration. Each right entitles the participant to one ordinary share in the Company, subject to the achievement of the performance hurdles for vesting, as outlined below.
How many performance rights will be granted?	The value of LTI granted annually is 50% of the relevant KMP Executive's fixed remuneration. The number of performance rights granted to each KMP Executive is equivalent to the face value of the LTI grant divided by an amount calculated based on the share price following the release of the Company's full year financial results in accordance with the terms and conditions of the plan.
What will be the vesting performance measures?	The vesting of performance rights granted under the LTI plan will be dependent on two independent performance measures, Earnings Per Share (EPS) and Total Shareholder Return (TSR).
Why was the EPS performance hurdle chosen, and how is performance measured?	Half (50%) of the award will be subject to an Earnings Per Share (EPS) hurdle. EPS provides a direct link between executive reward with the creation of wealth driven through the increase in earnings per share received by shareholders. EPS performance will be measured with reference to the audited annual accounts fully diluted EPS after allowing for any adjustments to this figure for abnormal or unusual profit items as the Board considers appropriate. Threshold and stretch annual percentage EPS growth targets for three years will be set each year for each proposed LTI grant, with the proportion of vesting ranging from 0% (where the threshold EPS growth target is not achieved) to 100% (where the stretch EPS growth target is achieved).
Why was the EPS performance hurdle chosen, and how is performance measured?	The percentage of EPS performance rights that vest (if any) at the end of the three-year performance period is based on the following schedule:

Company's EPS over the three years	Proportion of EPS performance rights that vest (%)
Equal to or above the stretch EPS	100%
Between the threshold EPS and the stretch EPS	Straight-line vesting*
At the threshold EPS	50%
Less than the threshold EPS	Nil

* The proportion of EPS performance rights that vests increases in a straight line between 50% and 100% for EPS performance between the aggregate threshold EPS and aggregate stretch EPS.

EPS is the audited (fully diluted) EPS figure as reported in the relevant Annual Report. The Board has discretion to make such adjustments to this figure for abnormal or unusual profit items as it considers appropriate.

For the grant of performance rights in respect of FY14 performance, the threshold EPS hurdle is the aggregate of budget EPS targets for each financial year of the performance period and the stretch EPS hurdle is the aggregate of budget EPS plus 10% for each financial year of the performance period.

For FY15, threshold EPS was $0.76 and stretch EPS was $0.84. Actual EPS for FY15 was $(1.29).

Long-Term Incentive plan	
Why was the TSR performance hurdle chosen, and how is performance measured?	The other half of the LTI award will be subject to a relative TSR hurdle. Relative TSR provides an indicator of shareholder value creation by comparing the Company's return to shareholders relative to other companies of similar size. TSR provides an external, market-based hurdle and creates alignment of executive remuneration outcomes to shareholder returns. Participants will not derive any benefit from this portion of the grant unless the Company's performance is at least at the median of the comparator group. The comparator group chosen for assessing the Company's relative TSR consists of constituents of the S&P / ASX 100 index excluding companies classified as Financials under the Global Industry Classification System. This comparator group was selected as it represents a broad base of companies against which investors in SGH may benchmark their investment. The comparator group is defined at the start of the performance period. The composition of the comparator group may change as a result of corporate events, such as mergers, acquisitions, de-listings etc. The Board has agreed guidelines for adjusting the comparator group following such events, and has the discretion to determine any adjustment to the comparator group. TSR performance is monitored and assessed by an independent advisor. The percentage of TSR performance rights that vest (if any) at the end of the three-year performance period will be based on the following schedule:

Company's TSR ranking relative to comparator group companies	Proportion of TSR performance rights that vest (%)
Equal to or above the 75th percentile	100%
Between the 50th and 75th percentiles	Straight-line vesting
At the 50th percentile	50%
Less than the 50th percentile	Nil

When will performance be tested?	Awards will be subject to a three-year performance period. Immediately following the completion of the performance period, the performance hurdles are tested to determine whether, and to what extent, awards vest. Upon vesting of the rights, the Board has discretion to either issue new shares or acquire shares on market. Any performance rights that do not vest following testing of performance hurdles (i.e., at the end of the three-year performance period) will lapse.
Do the performance rights carry dividend or voting rights?	Performance rights do not carry dividend or voting rights.
What happens in the event of a change in control?	In the event of a change of control of the Company the Board will have discretion to determine whether, and the extent to which, unvested performance rights vest. The Board will consider when making its decision the extent to which performance hurdles have been achieved to the date of the event.
What happens if the participant ceases employment?	If the participant ceases employment with the Company due to termination for cause or gross misconduct, or other reasons determined by the Board (which would normally include resignation) all unvested performance rights will lapse. If the participant ceases employment other than for the reasons outlined above the performance rights will not lapse, unless the Board determines otherwise.

D. OUTGOING MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER LONG-TERM INCENTIVE PLAN

The details in this section relate to arrangements for Mr Don Voelte AO who ceased as MD & CEO on 29 June 2015. The incoming MD & CEO, Mr Ryan Stokes, will participate in the Company's long-term incentive plan detailed above in section 6.c of the Remuneration Report.

The LTI plan for the outgoing MD & CEO is in the form of cash-settled share options which provided an opportunity for the outgoing MD & CEO to be paid a cash amount based on the increase in the Company's share price over a defined exercise price subject to the satisfaction of specified vesting conditions (Share Appreciation Rights or SARs).

MD & CEO Long-Term Incentive plan (applicable to outgoing MD & CEO)	
What is the purpose of the MD & CEO's LTI plan?	The LTI plan is designed to encourage sustained long-term performance and enhance the alignment between the interests of the MD & CEO and those of shareholders by rewarding the MD & CEO for increasing the market value of the Company.
What will be granted?	Cash-settled share options which provide an opportunity for the MD & CEO to be paid a cash amount based on the increase in the Company's share price over a defined exercise price subject to the satisfaction of specified vesting conditions (Share Appreciation Rights or SARs).
When will the SARs be granted?	SARs will be awarded annually at the commencement of the relevant financial year (Grant Date).
How many share appreciation rights (SARs) will be granted?	The LTI grant opportunity for the MD & CEO is 50% of fixed remuneration. The number of SARs to be granted each year will be determined using the following formula: $\frac{\text{LTI grant opportunity percentage x fixed remuneration}}{\text{Fair value of a SAR on the Grant Date}}$ For this purpose the fair value of a SAR will be determined by the Company using the dividend adjusted Black-Scholes option valuation model. On 1 July 2014 the MD & CEO was granted 1,142,857 SARs. The fair value of a SAR on the Grant Date was $1.40.
How will the exercise price for the SARs be determined?	The exercise price for each vested SAR will be equal to the volume-weighted average price of the Company's ordinary shares for the 30 calendar days prior to the Grant Date (Exercise Price). The exercise price of the MD & CEO's 1 July 2014 grant of SARs is $7.7037.
When will the SARs vest?	The SARs have a three year performance period and will therefore vest on the third anniversary of the Grant Date. Once vested the SARs can be exercised at any time until the fifth anniversary of the Grant Date (at which time the SARs will lapse if not exercised).
How will the award be delivered?	On exercise of vested SARs, the MD & CEO will be entitled to receive a cash payment calculated using the following formula: Number of SARs exercised x (Final Price – Exercise Price) Where Final Price is the volume-weighted average price of the Company's ordinary shares for the 30 calendar days prior to the date the SARs are exercised.
What happens in the event of a change in control?	In the event of a change of control of the Company the Board will have discretion to determine whether, and the extent to which, unvested SARs vest.
What happens if the participant ceases employment?	If the MD & CEO ceases employment with the Company due to termination for cause or gross misconduct, or other reasons determined by the Board (which would normally include resignation) all unvested SARs will lapse. If the MD & CEO ceases employment other than for the reasons outlined above the SARs will not lapse, unless the Board determines otherwise. The outgoing MD & CEO's employment ended due to retirement and as such, unvested SARs remain on foot subject to their original vesting schedules.

E. INCOMING MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER REMUNERATION

Mr Ryan Stokes was appointed Managing Director & Chief Executive Officer on 1 July 2015. Mr Ryan Stokes is employed under an open-ended employment contract under which the MD & CEO may give six months' notice to terminate employment. The Company is also required to provide six months' notice to terminate.

The remuneration mix for the incoming MD & CEO comprises both a fixed component and a variable (or "at risk") component (which comprises separate short-term incentive and long-term incentive elements). These components are explained in detail below.

Fixed remuneration

The incoming MD & CEO's fixed remuneration is $1,600,000 per annum inclusive of superannuation.

Fixed remuneration for the incoming MD & CEO has been set in line with the Group's policy of positioning total reward for KMP Executives principally within a competitive range of its peers which includes Australian listed companies with characteristics most like Seven Group Holdings Limited when compared against a set of financial and qualitative metrics.

Variable remuneration

The incoming MD & CEO is eligible to participate in performance linked remuneration consistent with other KMP Executives under the Company's STI plan described at section 6.b of the Remuneration Report and the Company's LTI plan described at section 6.c of the Remuneration Report.

The incoming MD & CEO's at-target opportunity under the STI plan is 50% of fixed remuneration. The incoming MD & CEO's at-target opportunity under the LTI plan is 50% of fixed remuneration.

7. KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS

a. Equity granted as remuneration

Restricted shares granted as remuneration

Movements in the holdings of restricted shares by KMP during the year held directly, indirectly, beneficially and including their personally-related entities are set out below.

Short-term incentive plan

Under the Company's STI plan, the outgoing MD & CEO had the opportunity to receive restricted shares in the Company. Restricted shares were granted to the outgoing MD & CEO in FY15 in respect of FY14 performance.

The outgoing MD & CEO did not receive an award under the STI plan in respect of FY15 performance.

KMP	Held at 30 June 2014	Vested at 30 June 2014	Granted as remuneration	Exercised in 2015	Vested during 2015	Held at 30 June 2015	Vested at 30 June 2015
DR Voelte AO	–	–	116,316	–	–	116,316	–

Under the terms and conditions of the STI plan applying to the outgoing MD & CEO, on the MD & CEO's retirement, as occurred on 29 June 2015, unvested restricted shares remain on foot, subject to their original vesting schedules.

Further details on the STI plan are set out in section 6.b of the Remuneration Report.

Performance Management Plan

Certain KMP Executives were granted restricted ordinary shares under the legacy Performance Management Plan subsequent to, but in respect of the year ended 30 June 2011.

KMP	Held at 30 June 2014	Vested at 30 June 2014	Granted as remuneration	Exercised in 2015	Vested during 2015	Held at 30 June 2015	Vested at 30 June 2015
M Bryant	21,561	14,374	–	21,561	7,187	–	–
RK Stokes	7,593	–	–	7,593	7,593	–	–

All shares granted under the Performance Management Plan have vested and been exercised as at 30 June 2015.

Further details on the legacy Performance Management Plan are set out in section 9 of the Remuneration Report.

Performance rights granted as remuneration

Long-term incentive plan

The Group offered certain KMP Executives the opportunity to participate in the Group's LTI plan in respect of FY12, FY13, FY14 and FY15 performance. Awards under the LTI plan are only made if the NPAT target for the relevant year has been achieved and once granted, awards only vest if the performance hurdles over the three-year performance period are met. LTI awards are structured as rights to acquire ordinary shares in the Company at no cost to the executive.

The Company did not achieve its NPAT target in FY12, FY13 or FY15 and accordingly grants were not made in respect of performance in those years.

The FY14 NPAT target was achieved and as a result LTI awards were granted in FY15 in respect of FY14 performance to eligible executives.

Details of the vesting profiles of the performance rights granted as remuneration in FY15 to each executive of the Group under its LTI plan are detailed below.

KMP	Number of share rights	Grant Date	Expiry Date	Fair value per right at Grant Date TSR component	Fair value per right at Grant Date EPS component	Number of rights vested during 2015	% forfeited in 2015	Financial year in which grant may vest
JE Croome	23,536	1 Dec 14	1 Sep 17	$3.89	$6.33	–	–	30 Jun 18
RJ Richards	45,801	1 Dec 14	1 Sep 17	$3.89	$6.33	–	–	30 Jun 18
RK Stokes	57,251	1 Dec 14	1 Sep 17	$3.89	$6.33	–	–	30 Jun 18

No amount is paid or payable by KMP Executives in relation this grant.

Further details about the LTI plan are set out in Section 6.c of the Remuneration Report.

Share appreciation rights granted as remuneration

Movements in the holdings of share appreciation rights by the outgoing MD & CEO are set out in the table below.

KMP	Grant date	Vesting date	Fair value	Exercise price	Held at 1 July 2014	Granted	Forfeited	Vested and exercised	Held at 30 June 2015
DR Voelte AO[(a)]	1 Jul 13	30 Jun 16	$1.39	$7.0274	1,221,374	–	–	–	1,221,374
DR Voelte AO[(a)]	1 Jul 14	30 Jun 17	$1.40	$7.7037	–	1,142,857	–	–	1,142,857

(a) Closing details are at date of cessation as KMP.

No amount is paid or payable by the MD & CEO in relation this grant. Once vested, the SARs may be exercised any time until the fifth anniversary of the grant date.

Under the terms and conditions of the outgoing MD & CEO's LTI plan, on the MD & CEO's retirement, as occurred on 29 June 2015, unvested SARs remain on foot, subject to their original vesting schedules.

Further details on the outgoing MD & CEO's LTI plan are set out in section 6.d of the Remuneration Report.

b. Equity granted as remuneration affecting future periods

The fair value of equity granted as remuneration is amortised over the service period and therefore remuneration in respect of equity grants may be reported in future years. The following table summarises the maximum value of these grants that will be reported in the remuneration tables in future years, assuming all vesting conditions are met. The minimum value of the grant is nil should vesting conditions not be satisfied.

KMP	Award	2016	2017
JE Croome	Performance rights (2014 LTI)	$22,870	$22,870
RJ Richards	Performance rights (2014 LTI)	$39,561	$39,561
RK Stokes	Performance rights (2014 LTI)	$46,360	$46,360

c. Shareholdings and transactions

Movements in the holdings of ordinary shares and TELYS4 by KMP, held directly, indirectly, beneficially and including their personally-related entities are set out in the tables below.

Ordinary Shares

KMP	Number held at 1 July 2014	Purchases and other changes during the year	Shares granted as remuneration during the year	Rights converted to shares during the year	Number held at 30 June 2015
KM Stokes AC	207,304,349	–	–	–	207,304,349
PD Ritchie AO[b]	46,072	–	–	–	46,072
DR Voelte AO[b]	40,000	–	116,316	–	156,316
ED Boling[b]	–	–	–	–	–
TJ Davis	–	40,000	–	–	40,000
CJ Mackay	10,000	–	–	–	10,000
DI McEvoy[a]	–	–	–	–	–
WL Smith AM[a]	–	30,600	–	–	30,600
RA Uechtritz	536,476	166,000	–	–	702,476
MC Wells	4,000	–	–	–	4,000
MJ Allibon	6,000	2,000	–	–	8,000
M Bryant[b]	41,561	–	–	–	41,561
JE Croome	–	–	–	–	–
DJ Leckie[b]	66,908	–	–	–	66,908
L Luo[a]	–	–	–	–	–
BI McWilliam	124,011	10,000	–	–	134,011
RJ Richards	–	65,774	–	–	65,774
RK Stokes	115,780	70,000	–	–	185,780

(a) Opening details are as at date of commencement as KMP.
(b) Closing details are as at date of cessation as KMP.

TELYS4

KMP	Number held at 1 July 2014	Purchases and other changes during the year	Shares granted as remuneration during the year	Number held at 30 June 2015
TJ Davis	5,500	1,500	–	7,000
RA Uechtritz	2,400	(2,400)	–	–
MC Wells	710	–	–	710
JE Croome	200	–	–	200

d. Hedging policy

The Company's Group Directors Share Trading Policy, and the Executive and Staff Share Trading Policy, prohibits employees (including KMP) from dealing in Seven Group Holdings Limited shares, if the dealing is prohibited under the *Corporations Act 2001*. Therefore, in accordance with this policy, all KMP are prohibited from entering into arrangements in connection with Seven Group Holding Limited shares which operate to limit the executives' economic risk under any equity-based incentive schemes.

The ability to deal with unvested rights is restricted in the relevant equity plan rules which apply to the options over shares in the Company which have been granted. The Company will continue to monitor the appropriateness of this approach.

8. KEY MANAGEMENT PERSONNEL RELATED PARTY TRANSACTIONS

A number of Key Management Personnel, or their personally-related entities, hold positions in other entities that can result in them having control or significant influence over those entities. A number of these entities transacted with the Company or its subsidiaries during the year.

The Group transacted with entities of which the Directors of the Company, Mr Kerry Stokes AC and Mr Ryan Stokes are or were Directors of Officers (excluding equity accounted investees, which are disclosed in Note 31 of the Financial Statements) or otherwise had an interest.

The aggregate value of the related party transactions with Director and director related entities was as follows:

	2015 $	2014 $
Expenses		
Lease of premises and related outgoings	40,273,905	39,063,064
Travel expenses	3,197,197	3,307,071
Electricity under supply agreement	2,144,018	2,647,217
Consulting agreement	250,000	250,000
Other net expense reimbursements	220,039	304,500
Total expenses	**46,085,159**	**45,571,852**
Assets and liabilities		
Trade and other receivables – current	–	14,756
Trade and other payables – current	–	(502,200)

The lease of premises cost relates to triple net leases that the WesTrac Group entered into, the material terms of which were set out in page 406 of Part B of the merger scheme documentation and include annual rent increases of the greater of 3% and CPI, responsibility for most costs of maintaining the properties (including capital / structural repairs), and extensive insurance obligations. The rent expense for the use of these properties is disclosed in the table within expenses.

A wholly owned Group subsidiary reached agreement with a director related entity to early terminate a take or pay a contractual agreement for the use of an aircraft. The key terms of the agreement (which was due to expire on 30 June 2018) were disclosed in Part B of the merger scheme documentation. The Independent & Related Party Committee approved the early termination and payment of $3,047,000 on 13 August 2014 as final settlement of the agreement. The total value which would have been payable under the agreement was $11,481,888.

Loans and other transactions with Key Management Personnel

During the year, a company associated with a Director, Mr Bruce McWilliam, was party to a consulting agreement with the Group. Total fees paid during the year in relation to this consulting agreement totalled $250,000 (2014: $250,000). This amount is included in the remuneration disclosures and in the table above.

During the year ended 30 June 2015, Mr Kerry Stokes AC, Mr Ryan Stokes and Mr Don Voelte AO were directors on the board of Seven West Media Limited, representing Seven Group Holdings Limited. They are paid a director fee by Seven West Media Limited for their services provided which is disclosed in the Seven West Media Limited’s Remuneration Report. The total paid to Mr Kerry Stokes AC, Mr Ryan Stokes and Mr Don Voelte AO for the year ended 30 June 2015 was $730,000 (2014: $730,000). As the amounts are not paid or payable by Seven Group Holdings Limited they have not been included in the remuneration disclosures or the above table.

9. LEGACY SHARE-BASED REMUNERATION

Performance Management Plan

Prior to the 2012 financial year, the variable remuneration plan for certain KMP Executives was called the Performance Management Plan (PMP). The PMP contained a deferred equity component under which selected executives received a portion of their total STI opportunity (subject to performance and to the extent that an EPS target was achieved in that year) in the form of ordinary shares in Seven Group Holdings Limited, for nil consideration.

Under the PMP, the EPS target was measured over the relevant financial year before significant items (subject to the Board's discretion). EPS was calculated by dividing the NPAT, after deducting TELYS4 dividends paid by the total weighted average number of shares the Company had issued. The measure took into account all the revenues, costs (including interest) and tax payable by the Company for the relevant year and did so on a per share basis.

The shares granted vested in three equal tranches over the three years following grant subject to continued service. The shares granted are held on trust for each executive. If an executive ceases employment with the Company due to death, redundancy, retirement, disability or permanent illness, an application can be made to the Board for unvested shares to be transferred to that participant along with shares that have already vested. If an executive ceases employment with the Company for any other reason, all unvested shares will be forfeited, unless the Board determines otherwise.

The shares granted under the PMP carry dividend and voting rights.

All shares granted under the PMP have been vested and exercised as at 30 June 2015. The details of shares held by KMP Executives under the PMP during FY15 are set out in the table below.

KMP Executive	Number of shares granted	Grant date	Vesting date	Fair value per share	% vested in 2015	% forfeited in 2015
M Bryant	7,187	9 Nov 11	1 Oct 14	$8.23	100%	–
RK Stokes	7,593	9 Nov 11	1 Oct 14	$8.23	100%	–

10. SUMMARY OF EXECUTIVE CONTRACTS

The key terms of the executive contracts including the term of the contract, the period of notice required to terminate the contract (by either the Company or executive) and any contractual termination payments are set out below.

KMP Executive	Contract term	Notice period required by the Company	Notice period required by the Executive	Contractual termination payments
JE Croome	On-going	6 months	6 months	No contractual termination payments
L Luo	Three years	6 months	6 months	No contractual termination payments
RJ Richards	On-going	6 months	6 months	No contractual termination payments
RK Stokes	On-going	6 months	6 months	No contractual termination payments

Mr Bruce McWilliam and Mrs Melanie Allibon are not directly employed by the Company however their services are provided under an agreement with Seven West Media Limited. Consequently Mr Bruce McWilliam and Mrs Melanie Allibon do not have any applicable contract term, notice period or contractual termination payments.

There are no formal employment contracts for Non-Executive Directors that provide notice provisions or contractual termination payments. Each Non-Executive Director has a formal appointment letter agreed with the Company which confirms their appointment in accordance with the Constitution of the Company and provides information in relation to the structure and practices of the Board and the Company.

11. REMUNERATION IN DETAIL

The following table sets out the remuneration details for the Group's KMP for the year ended 30 June 2015.

		Short-term benefits			Post-employment benefits
KMP	Year	Salary & fees $	STI cash bonus $	Non-monetary benefits $	Super-annuation benefits $
KM Stokes AC[a]	**2015**	**331,217**	**–**	**222,026**	**18,783**
Executive Chairman	2014	332,225	–	–	17,775
PD Ritchie AO[b]	**2015**	**81,846**	**–**	**–**	**7,348**
Deputy Chairman (retired 19 November 2014)	2014	212,225	–	–	17,775
ED Boling[b]	**2015**	**67,237**	**–**	**–**	**6,388**
Non-Executive Director (retired 19 November 2014)	2014	173,913	–	7,124	16,087
TJ Davis	**2015**	**191,781**	**–**	**–**	**18,219**
Non-Executive Director	2014	192,225	–	–	17,775
CJ Mackay	**2015**	**173,516**	**–**	**–**	**16,484**
Non-Executive Director	2014	173,913	–	–	16,087
DI McEvoy	**2015**	**13,669**	**–**	**–**	**1,299**
Non-Executive Director (appointed 27 May 2015)	2014	–	–	–	–
WL Smith AM	**2015**	**131,900**	**–**	**–**	**11,161**
Non-Executive Director (appointed 12 September 2014)	2014	–	–	–	–
RA Uechtritz	**2015**	**184,779**	**–**	**–**	**16,820**
Non-Executive Director	2014	173,913	–	–	16,087
MC Wells	**2015**	**211,217**	**–**	**–**	**18,783**
Non-Executive Director	2014	212,225	–	–	17,775
DR Voelte AO[c]	**2015**	**3,223,263**	**–**	**15,940**	**–**
Managing Director & Chief Executive Officer (retired 29 June 2015)	2014	3,200,000	1,440,000	5,271	–
MJ Allibon[d]	**2015**	**131,250**	**–**	**–**	**–**
Group Executive, Human Resources	2014	254,745	25,500	–	–
M Bryant[e]	**2015**	**358,816**	**–**	**91,957**	**18,434**
Chief Executive Officer, WesTrac China (resigned 31 December 2014)	2014	356,356	–	100,271	48,510
JE Croome[f]	**2015**	**1,012,977**	**–**	**24,829**	**18,783**
Chief Executive Officer, WesTrac Australia	2014	308,532	142,000	–	5,515
DJ Leckie	**2015**	**107,361**	**–**	**13,422**	**2,758**
Executive Director, Media (resigned 22 August 2014)	2014	982,225	–	57,668	17,775
L Luo	**2015**	**266,168**	**–**	**31,841**	**5,097**
Chief Executive Officer, WesTrac China (appointed 1 January 2015)	2014	–	–	–	–
BI McWilliam[g]	**2015**	**525,000**	**–**	**–**	**–**
Commercial Director	2014	525,000	–	–	–
RJ Richards[h]	**2015**	**826,167**	**–**	**8,806**	**30,084**
Group Chief Financial Officer	2014	586,669	276,000	2,824	13,331
RK Stokes	**2015**	**768,717**	**–**	**25,878**	**18,783**
Group Chief Operating Officer	2014	732,225	322,500	6,846	17,775
Total KMP	**2015**	**8,606,881**	**–**	**434,699**	**209,224**
Total KMP	2014	8,416,391	2,206,000	180,004	222,267

Other long-term benefits	Termination benefits	Share-based payments				
Long service leave and annual leave $	Termination benefits $	Performance Rights $	Deferred shares $	Cash settled share appreciation rights $	Total $	Remun-eration perform-ance related %
–	**–**	**–**	**–**	**–**	**572,026**	**–**
–	–	–	–	–	350,000	–
–	**–**	**–**	**–**	**–**	**89,194**	**–**
–	–	–	–	–	230,000	–
–	**–**	**–**	**–**	**–**	**73,625**	**–**
–	–	–	–	–	197,124	–
–	**–**	**–**	**–**	**–**	**210,000**	**–**
–	–	–	–	–	210,000	–
–	**–**	**–**	**–**	**–**	**190,000**	**–**
–	–	–	–	–	190,000	–
–	**–**	**–**	**–**	**–**	**14,968**	**–**
–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**143,061**	**–**
–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**201,599**	**–**
–	–	–	–	–	190,000	–
–	**–**	**–**	**–**	**–**	**230,000**	**–**
–	–	–	–	–	230,000	–
(49,231)	**–**	**–**	**460,000**	**1,444,478**	**5,094,450**	**37**
49,231	–	–	260,000	565,903	5,520,405	41
–	**–**	**–**	**–**	**–**	**131,250**	**–**
–	–	–	–	–	280,245	9
–	**453,859**	**–**	**–**	**–**	**923,066**	**–**
34,483	–	–	14,850	–	554,470	3
21,203	**–**	**22,605**	**–**	**–**	**1,100,397**	**2**
23,743	–	7,889	–	–	487,679	31
–	**–**	**–**	**–**	**–**	**123,541**	**–**
–	–	–	–	–	1,057,668	–
–	**–**	**–**	**–**	**–**	**303,105**	**–**
–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**525,000**	**–**
–	–	–	–	–	525,000	–
67,887	**–**	**38,529**	**–**	**–**	**971,473**	**4**
6,154	–	30,702	–	–	915,680	33
237,135	**–**	**44,748**	**–**	**–**	**1,095,261**	**4**
–	–	47,972	15,625	–	1,142,943	34
276,994	**453,859**	**105,882**	**460,000**	**1,444,478**		
113,611	–	86,563	290,475	565,903		

(a) Non-monetary benefits for Mr Kerry Stokes AC includes amounts invoiced and expensed in FY15 relating to prior years. FY13: $123,325, FY14: $31,675 FY15: $67,026.

(b) Retirement benefits from a discontinued legacy arrangement as described in the Scheme documentation relating to the merger of Seven Network Limited and WesTrac Holdings Pty Ltd in 2010 to form Seven Group Holdings Limited in 2010 and in Company Annual Reports from 2010 to 2014 were paid to Mrs Dulcie Boling ($195,000) and Mr Peter Ritchie AO ($211,250) during FY15 in addition to amounts in this table. Further details about the legacy retirement arrangements are set out in section 5 of the Remuneration Report.

(c) Mr Don Voelte AO retired as Managing Director on 29 June 2015 and retired on 30 June 2015. The share-based payment amount includes $714,351 relating to amortisation for the FY15 year and $1,190,127 relating to amortisation that would have occurred in future years on Mr Don Voelte AO's share-based payments that remain on foot subject to their original vesting schedules, following his retirement. Further information about these share based payments is in section 7a of the Remuneration Report.

(d) Remuneration for Mrs Melanie Allibon relates to amounts recharged by Seven West Media Limited to Seven Group Holdings Limited.

(e) Mr Martin Bryant was appointed as KMP on 1 December 2013 and as such the 2014 comparison is not for a full year.

(f) Mr Jarvas Croome was appointed as KMP on 10 March 2014 and as such the 2014 comparison is not for a full year.

(g) Remuneration for Mr Bruce McWilliam includes $275,000 recharged by Seven West Media Limited to Seven Group Holdings Limited and payments to a company associated with Mr Bruce McWilliam that was party to a consulting agreement with the Group of $250,000.

(h) Mr Richard Richards was appointed as KMP on 1 October 2013 and as such the 2014 comparison is not for a full year.

End of audited Remuneration Report.

INDEMNITY

The Constitution of the Company provides an indemnity to any current and former Director and secretary of the Company against any liabilities incurred by that person, or arising out of, the discharge of duties as an officer of the Company or the conduct of the business of the Company, including associated legal costs defending any proceedings relating to that person's position with the Company in specified circumstances.

As permitted by the Constitution of the Company, the Company has entered into deeds of access, insurance and indemnity with each Director as at the end of the financial year.

No amounts were paid and no actions taken pursuant to these indemnities during the year.

INSURANCE PREMIUMS

The Company has paid insurance premiums in respect of a directors' and officers' liability insurance contract insuring against certain liabilities (subject to exclusions) of all current and former officers of the Company and its subsidiaries, including all Directors named in this report, the Company Secretary and all persons concerned in, or taking part in the management of, the Company and its controlled entities, and former Directors and officers who have retired or relinquished their positions.

The insurance policies prohibit disclosure of the premiums paid in respect of those policies and the nature of the liabilities insured by the policies.

NON-AUDIT SERVICES

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board in terms of the Company's formal Auditor Independence Policy to ensure that they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 75.

Details of amounts paid or payable to the auditor, KPMG, for audit and non-audit services provided during the year are set out in note 32 to the financial statements.

ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in this report and the accompanying financial report have been rounded off to the nearest whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars.

Signed for and on behalf of the Board of Directors and in accordance with a resolution of the Directors.

KM Stokes AC
Executive Chairman

MC Wells
Chairman of the Audit & Risk Committee

Sydney
26 August 2015

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the Directors of Seven Group Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Kevin Leighton
Partner

Sydney
26 August 2015

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 30 June 2015

	Note	2015 $m	2014 $m
Revenue			
Revenue	4	2,779.6	3,088.2
Other income			
Dividend income		44.4	41.0
Gain on sale of investments and equity accounted investees		36.5	41.2
Other investment income		37.9	25.7
Other		66.8	40.4
Total other income		**185.6**	**148.3**
Share of results from equity accounted investees	11	(377.4)	103.6
Impairment of equity accounted investees	11	(99.3)	(42.2)
Expenses excluding depreciation and amortisation			
Expenses	4	(3,009.2)	(2,886.7)
(Loss)/profit before depreciation, amortisation, net finance costs and tax		**(520.7)**	**411.2**
Depreciation and amortisation		(62.1)	(48.1)
(Loss)/profit before net finance costs and tax		**(582.8)**	**363.1**
Finance income	5	35.4	46.7
Finance costs	5	(102.7)	(99.1)
Net finance costs		**(67.3)**	**(52.4)**
(Loss)/profit before tax		**(650.1)**	**310.7**
Income tax benefit/(expense)	6	291.0	(48.2)
(Loss)/profit for the year		**(359.1)**	**262.5**
(Loss)/profit for the year attributable to:			
Equity holders of the Company		(360.3)	261.1
Non-controlling interest		1.2	1.4
(Loss)/profit for the year		**(359.1)**	**262.5**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale financial assets	23	77.2	55.2
Cash flow hedges: effective portion of changes in fair value	23	16.9	19.7
Foreign currency differences for foreign operations		148.3	(7.5)
Income tax on items of other comprehensive income	23	(25.1)	(24.0)
Total items that may be reclassified subsequently to profit or loss		**217.3**	**43.4**
Total comprehensive income for the year		**(141.8)**	**305.9**
Total comprehensive income for the year attributable to:			
Equity holders of the Company		(143.5)	304.5
Non-controlling interest		1.7	1.4
Total comprehensive income for the year		**(141.8)**	**305.9**

		2015 $	2014 $
Statutory earnings per share (EPS)			
Ordinary shares			
Basic earnings per share	7	(1.29)	0.77
Diluted earnings per share	7	(1.29)	0.77

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

As at 30 June 2015

	Note	2015 $m	2014 $m
Current assets			
Cash and cash equivalents	17	290.7	128.3
Trade and other receivables	8	452.1	599.0
Inventories	10	929.2	856.6
Other financial assets	21	–	129.2
Current tax assets		11.0	12.4
Other current assets		41.7	40.4
Derivative financial instruments	22	2.5	0.7
Total current assets		**1,727.2**	**1,766.6**
Non-current assets			
Investments accounted for using the equity method	11	983.9	1,171.9
Other financial assets	21	1,140.9	1,232.5
Property, plant and equipment	12	216.3	237.3
Oil and natural gas assets	13	447.0	70.7
Intangible assets	14	691.4	849.2
Deferred tax assets	6	12.0	10.1
Derivative financial instruments	22	142.1	61.1
Total non-current assets		**3,633.6**	**3,632.8**
Total assets		**5,360.8**	**5,399.4**
Current liabilities			
Trade and other payables	9	403.5	357.2
Interest bearing loans and borrowings	19	79.2	36.1
Current tax liability		6.4	–
Deferred income		172.3	124.5
Provisions	15	75.8	61.3
Employee benefits	16	37.3	44.0
Derivative financial instruments	22	12.0	8.0
Total current liabilities		**786.5**	**631.1**
Non-current liabilities			
Other payables	9	1.1	0.7
Interest bearing loans and borrowings	19	1,556.1	1,161.6
Deferred tax liabilities	6	98.3	359.1
Deferred income		13.1	14.9
Provisions	15	59.2	4.5
Employee benefits	16	7.9	1.4
Derivative financial instruments	22	29.2	83.4
Total non-current liabilities		**1,764.9**	**1,625.6**
Total liabilities		**2,551.4**	**2,256.7**
Net assets		**2,809.4**	**3,142.7**
Equity			
Contributed equity	23	2,544.6	2,586.2
Reserves	23	(344.2)	(557.7)
Retained earnings		596.2	1,102.3
Total equity attributable to equity holders of the Company		**2,796.6**	**3,130.8**
Non-controlling interest		12.8	11.9
Total equity		**2,809.4**	**3,142.7**

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity

Year ended 30 June 2015

	Note	Contributed equity $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interest $m	Total equity $m
Year ended 30 June 2015							
Balance as at 1 July 2014		**2,586.2**	**(557.7)**	**1,102.3**	**3,130.8**	**11.9**	**3,142.7**
Loss for the year		–	–	(360.3)	(360.3)	1.2	(359.1)
Net change in fair value of available-for-sale financial assets	23	–	77.2	–	77.2	–	77.2
Cash flow hedges: effective portion of changes in fair value	23	–	16.9	–	16.9	–	16.9
Foreign currency differences for foreign operations	23	–	147.8	–	147.8	0.5	148.3
Income tax on items of other comprehensive income	23	–	(25.1)	–	(25.1)	–	(25.1)
Total comprehensive income for the year		**–**	**216.8**	**(360.3)**	**(143.5)**	**1.7**	**(141.8)**
Transactions with owners recognised directly in equity							
Ordinary dividends paid	24	–	–	(119.7)	(119.7)	(0.8)	(120.5)
TELYS4 dividends paid	24	–	–	(26.1)	(26.1)	–	(26.1)
Shares bought back on-market	23	(40.9)	–	–	(40.9)	–	(40.9)
Own shares acquired	23	(0.7)	–	–	(0.7)	–	(0.7)
Share based payments		–	(3.3)	–	(3.3)	–	(3.3)
Total contributions by and distributions to owners		**(41.6)**	**(3.3)**	**(145.8)**	**(190.7)**	**(0.8)**	**(191.5)**
Total movement in equity for the year		**(41.6)**	**213.5**	**(506.1)**	**(334.2)**	**0.9**	**(333.3)**
Balance as at 30 June 2015		**2,544.6**	**(344.2)**	**596.2**	**2,796.6**	**12.8**	**2,809.4**
Year ended 30 June 2014							
Balance as at 1 July 2013		**2,630.3**	**(597.4)**	**990.1**	**3,023.0**	**12.3**	**3,035.3**
Profit for the year		–	–	261.1	261.1	1.4	262.5
Net change in fair value of available-for-sale financial assets	23	–	55.2	–	55.2	–	55.2
Cash flow hedges: effective portion of changes in fair value	23	–	19.7	–	19.7	–	19.7
Foreign currency differences for foreign operations	23	–	(7.5)	–	(7.5)	–	(7.5)
Income tax on items of other comprehensive income	23	–	(24.0)	–	(24.0)	–	(24.0)
Total comprehensive income for the year		**–**	**43.4**	**261.1**	**304.5**	**1.4**	**305.9**
Transactions with owners recognised directly in equity							
Ordinary dividends paid	24	–	–	(123.1)	(123.1)	(1.8)	(124.9)
TELYS4 dividends paid	24	–	–	(25.8)	(25.8)	–	(25.8)
Shares bought back on-market	23	(44.1)	–	–	(44.1)	–	(44.1)
Share based payments		–	(0.9)	–	(0.9)	–	(0.9)
Share based payment options settled	23	–	(2.8)	–	(2.8)	–	(2.8)
Total contributions by and distributions to owners		**(44.1)**	**(3.7)**	**(148.9)**	**(196.7)**	**(1.8)**	**(198.5)**
Total movement in equity for the year		**(44.1)**	**39.7**	**112.2**	**107.8**	**(0.4)**	**107.4**
Balance as at 30 June 2014		**2,586.2**	**(557.7)**	**1,102.3**	**3,130.8**	**11.9**	**3,142.7**

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Consolidated Cash Flow Statement

Year ended 30 June 2015

	Note	2015 $m	2014 $m
Cash flows related to operating activities			
Receipts from customers		3,170.5	3,570.3
Payments to suppliers and employees		(2,921.5)	(3,209.9)
Dividends received from equity accounted investees		47.0	42.6
Other dividends received		52.9	43.6
Interest and other items of a similar nature received		9.6	22.3
Interest and other costs of finance paid		(97.5)	(88.9)
Income taxes refunded/(paid)		35.6	(156.5)
Income tax funding (paid to)/received from equity accounted investee		(9.5)	21.4
Net operating cash flows	18	**287.1**	**244.9**
Cash flows related to investing activities			
Payments for purchases of property, plant and equipment		(15.3)	(63.7)
Proceeds from sale of property, plant and equipment		0.6	7.1
Payments for purchase of intangible assets		(22.4)	(27.8)
Payment for production, development and exploration expenditure		(72.1)	–
Consideration for business combinations, net of cash acquired	30	(52.1)	(103.1)
Acquisition of equity accounted investees		(0.3)	–
Return of capital from investment in equity accounted investee		0.5	21.1
Proceeds from sale of shares in equity accounted investees		–	1.8
Deferred consideration from sale of subsidiary		–	60.0
Payments for other investments		(514.3)	(519.7)
Proceeds from sale of other financial assets		414.3	232.6
Loans and deposits received		–	4.0
Net investing cash flows		**(261.1)**	**(387.7)**
Cash flows related to financing activities			
Payments under share buy-back	23	(40.9)	(44.1)
Ordinary dividends paid	24	(119.7)	(123.1)
TELYS4 dividends paid	24	(26.1)	(25.8)
Dividend paid to non-controlling interests		(0.8)	(1.8)
Proceeds from borrowings		602.7	451.7
Repayment of borrowings		(300.5)	(527.1)
Net financing cash flows		**114.7**	**(270.2)**
Net increase/(decrease) in cash and cash equivalents		**140.7**	**(413.0)**
Cash and cash equivalents at beginning of the year	17	128.3	542.1
Effect of exchange rate changes on cash and cash equivalents		21.7	(0.8)
Cash and cash equivalents at end of the year	17	**290.7**	**128.3**

The consolidated cash flow statement is to be read in conjunction with the notes to the financial statements.

1. BASIS OF PREPARATION

Seven Group Holdings Limited (the Company) is a for profit company limited by shares and the shares are publicly traded on the Australian Securities Exchange (ASX). The Company is domiciled in Australia. These consolidated financial statements cover the year ended 30 June 2015 and comprise the Company and its subsidiaries (together referred to as the Group), and the Group's interest in equity accounted investees.

The financial report was authorised for issue in accordance with a resolution of the Directors on 26 August 2015.

The financial report is a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The financial report is prepared on the historical cost basis except for the following items which are measured at their fair value:

- derivative financial instruments;
- investments in available-for-sale financial assets; and
- liabilities for cash-settled share based payments.

The Group has disclosed the consolidated statement of profit or loss and other comprehensive income as a single statement for the year ended 30 June 2015.

Certain comparative amounts in this financial report have been reclassified to conform to the current year's presentation or correct a misstatement in classification. In particular:

- with the acquisition of Nexus Energy Limited on 31 December 2014 and creation of a new Energy segment, production and development assets and exploration and evaluation assets are now disclosed as oil and natural gas assets on the consolidated statement of financial position. These balances were previously included in property, plant and equipment and intangible assets respectively.
- an amount of $121.9 million has been reclassified from materials cost of inventory sold and used in product sales and product support to employee benefits expense in the prior year consolidated statement of profit or loss and other comprehensive income to correct a prior period classification misstatement. The restatement had no impact on the Group's profit or loss for the year ended 30 June 2014.
- an amount of $22.3 million has been reclassified from revenue from product sales to revenue from product support in the prior year to correct a prior year classification misstatement. The restatement had no impact on the Group's profit or loss for the year ended 30 June 2014.
- an amount of $41.8 million has been reclassified in the statement of financial position from other payables to deferred income in relation to deposits received in advance. The restatement had no impact on total current liabilities.

The Company is of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998, relating to the "rounding off" of amounts in the Director's Report and consolidated financial statements. Unless otherwise expressly stated, amounts have been rounded off to the nearest whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars in accordance with that Class Order.

(A) Accounting policies

Note 1 sets out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates. This section also outlines the changes in accounting policies and the expected impact on the financial position and performance of the Group.

The accounting policies set out in this financial report have been consistently applied by group entities and equity accounted investees.

(B) Principles of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Where there is loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

All inter-company balances and transactions, including unrealised gains arising from intra-group transactions, are eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Non-controlling interests in the equity and the results of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and consolidated statement of changes in equity.

Business combinations are accounted for in accordance with the accounting policy outlined in Note 30: Business Combination.

(C) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial report is presented in Australian Dollars, which is the Company's functional and presentation currency.

Transactions

Foreign currency transactions are translated into the respective functional currencies of Group entities using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when they are deferred in equity such as for qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

Foreign group entities

The results and financial position of all the Group entities (none of which have the currency of a hyperinflationary economy) that have a functional currency different from Australian Dollars are translated into Australian Dollars as follows:

- assets and liabilities are translated at the closing rate at the balance date;
- income and expenses of foreign entities are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income and presented in the foreign currency translation reserve.

Borrowings and other financial instruments designated as hedges of any net investment in a foreign entity are recognised in other comprehensive income and presented in the foreign currency translation reserve. When a foreign entity is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are transferred to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(D) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(E) Changes in accounting standards

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2014.

AASB 2015-2 Amendments to AASB 101 Presentation of Financial Statements

AASB 2015-2 applies to annual reporting periods commencing on or after 1 January 2016 and has been early adopted for the preparation of the 2015 financial statements and notes. This standard removed certain minimum disclosure requirements from AASB 101 Presentation of Financial Statements, including the removal of reference to a ‘summary of significant accounting policies’, allowing re-organisation and grouping of notes to the financial statements giving prominence to the areas most relevant to understanding the organisation and encouraging companies to no longer disclose information that is not material.

(F) New accounting standards

A number of new standards, amendments to standards and interpretations are effective for future reporting periods. These have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early and is yet to determine the effect of the standards on the Group.

AASB 9 Financial Instruments

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and also sets out new rules for hedge accounting. It is mandatory for the Group’s 30 June 2019 financial statements.

AASB 15 Revenue from Contracts with Customers

AASB 15 outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in AASB 15 provide a more structured approach to measuring and recognising revenue. It is mandatory for the Group’s 30 June 2018 financial statements.

(G) Critical accounting estimates and judgements

The preparation of the financial statements requires that management make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

Revisions to accounting estimates are recognised in the period in which the estimates are incorporated and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are outlined in the relevant note, except as detailed below.

Year ended 30 June 2015

Environmental risk and regulation

The Group and the industries in which it operates are subject to a broad range of environmental laws, regulations and standards (including certain licensing requirements). This could expose the Group to legal liabilities or place limitations on the development of its operations. In addition there is a risk that property utilised by the Group from time to time may be contaminated by materials harmful to human health (such as hazardous chemicals). In these situations the Group may be required to undertake remedial works on contaminated sites and may be exposed to third party compensation claims and other environmental liabilities. Management judgement is therefore required to estimate the impact of such factors on future earnings supporting existing goodwill and intangible assets.

2. OPERATING SEGMENTS

Recognition and measurement

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's executive management team and Board to make decisions about resources to be allocated to the segment and to assess its performance.

Segment results that are reported to the executive management team and Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, oil and natural gas assets and intangible assets other than goodwill.

The operating segments are identified by management based on the manner in which products are sold, the nature of services provided and country of origin.

- WesTrac Australia – WesTrac Australia is the authorised Caterpillar dealer (including Bucyrus/Expanded Mining Products) in Western Australia, New South Wales and the Australian Capital Territory, providing heavy equipment sales and support to customers.
- WesTrac China – WesTrac China is the authorised Caterpillar dealer (including Bucyrus/Expanded Mining Products) in the North Eastern China provinces of Hebei, Liaoning, Heilongjiang, Jilin, Shanxi, Inner Mongolia and the municipalities of Beijing and Tianjin, providing heavy equipment sales and support to customers.
- AllightSykes – represents the Group's operations in the manufacture, assembly, sales and support of lighting, FG Wilson power generation and dewatering equipment as well as distribution of Perkins engines.
- Coates Hire – represents the Group's equity accounted investment in Coates Group Holdings Pty Limited. Coates Hire is Australia's largest equipment hire company and provides a full range of general and specialist equipment to a wide variety of markets including engineering, building construction and maintenance, mining and resources, manufacturing, government and events.
- Media investments – relates to investments in listed and unlisted media organisations, including but not limited to, Seven West Media Limited.
- Energy – relates to the Group's 11.2 per cent working interest in the Bivins Ranch area in Texas USA and wholly-owned interest in SGH Energy Pty Ltd (formerly Nexus Energy Limited).
- Other investments – incorporates listed investments and property.

The Group is domiciled in Australia and operates predominantly in three countries: Australia, China and the United States of America. Segment revenues are allocated based on the country in which the customer is located. The WesTrac China segment represents all revenue derived from China. The Energy segment includes revenue derived from the United States of America of $8.5 million, with the remaining $12.9 million being derived in Australia.

2. OPERATING SEGMENTS (CONTINUED)

	WesTrac Australia[a]		WesTrac China		AllightSykes[a]		Coates Hire		Media investments[b]		Energy		Other investments		Total	
	2015 $m	2014 $m	2015 $m	2014 $m	2015 $m	2014 $m	2015 $m	2014 $m	2015 $m	2014 $m	2015 $m	2014 $m	2015 $m	2014 $m	2015 $m	2014 $m
Segment revenue																
Sales to external customers	2,120.0	2,377.4	555.7	616.3	82.5	94.5	–	–	–	–	21.4	–	–	–	2,779.6	3,088.2
Segment result																
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)[c][e]	197.4	238.8	38.4	27.7	(2.1)	1.8	7.9	26.3	103.5	103.1	9.7	–	41.9	43.5	396.7	441.2
Depreciation and amortisation	(29.1)	(36.0)	(14.9)	(6.9)	(4.3)	(4.6)	–	–	–	–	(10.5)	–	(2.9)	(0.5)	(61.7)	(48.0)
Segment earnings before interest and tax (EBIT)[d]	**168.3**	**202.8**	**23.5**	**20.8**	**(6.4)**	**(2.8)**	**7.9**	**26.3**	**103.5**	**103.1**	**(0.8)**	**–**	**39.0**	**43.0**	**335.0**	**393.2**
Other segment information																
Share of results of equity accounted investees included in segment EBIT (excluding significant items)[e]	3.2	2.8	–	(0.6)	–	–	5.9	23.8	66.0	74.3	–	–	5.0	4.1	80.1	104.4
Impairment reversal/(impairment) of assets recognised in profit or loss	–	–	(237.6)	–	(63.0)	–	(114.0)	–	14.7	(42.2)	–	–	(26.4)	–	(426.3)	(42.2)
Capital expenditure	(33.1)	(10.6)	(2.3)	(4.6)	(1.4)	(1.5)	–	–	–	–	(72.1)	(70.7)	(0.9)	(4.0)	(109.8)	(91.4)
Investments accounted for using the equity method	29.1	27.1	–	–	–	–	291.7	452.3	631.1	661.8	–	–	32.0	30.7	983.9	1,171.9
Other segment assets	1,487.1	1,641.1	705.8	676.6	45.9	130.3	–	–	71.7	357.0	475.3	259.8	1,121.6	948.9	3,907.4	4,013.7
Segment assets	**1,516.2**	**1,668.2**	**705.8**	**676.6**	**45.9**	**130.3**	**291.7**	**452.3**	**702.8**	**1,018.8**	**475.3**	**259.8**	**1,153.6**	**979.6**	**4,891.3**	**5,185.6**
Segment liabilities	**(357.7)**	**(367.1)**	**(194.2)**	**(149.1)**	**(13.8)**	**(15.2)**	**–**	**–**	**–**	**–**	**(117.1)**	**–**	**(25.2)**	**(17.3)**	**(708.0)**	**(548.7)**

(a) WesTrac Australia and AllightSykes segment results above have been reduced in relation to the elimination of sales to Coates Hire due to the Group's interest in Coates Hire.
(b) Media investments comprise investments accounted for using the equity method and available-for-sale financial assets.
(c) Segment EBITDA comprises profit before depreciation and amortisation, net finance costs, tax and significant items.
(d) Segment EBIT comprises profit before net finance costs, tax and significant items.
(e) Coates Hire segment EBITDA, EBIT and share of results of equity accounted investees excludes share of results from equity accounted investees attributable to significant items.

Refer to Note 3: Significant Items for further details on significant items.

	2015 $m	2014 $m
Reconciliation of segment EBIT to net (loss)/profit before tax per consolidated statement of profit or loss		
Segment net operating profit before net finance costs and tax (EBIT)	335.0	393.2
Corporate operating costs	(20.5)	(18.7)
Gain on sale of investments and equity accounted investees	36.5	41.2
Share of significant items relating to results from equity accounted investees	(457.5)	(0.9)
Fair value movement of derivatives	(8.5)	(1.8)
Impairment of equity accounted investees	(99.3)	(42.2)
Impairment of intangible assets	(300.6)	–
Writedown of inventory to net realisable value	(10.4)	–
Impairment of other financial assets	(26.4)	–
Restructuring and redundancy costs	(7.0)	(15.8)
Loss on sale of investments and derivative financial instruments	(33.5)	–
Other significant items	9.4	8.1
Net finance costs	(67.3)	(52.4)
(Loss)/profit before tax per consolidated statement of profit or loss	**(650.1)**	**310.7**

	2015 $m	2014 $m
Reconciliation of segment operating assets to total assets per consolidated statement of financial position		
Segment operating assets	4,891.3	5,185.6
Corporate cash holdings	290.7	128.3
Current tax assets	11.0	12.4
Deferred tax assets	12.0	10.1
Derivative financial instruments	144.6	61.8
Assets held at corporate level	11.2	1.2
Total assets per consolidated statement of financial position	**5,360.8**	**5,399.4**

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Australia is $922.0 million (2014: $604.8 million). The total of non-current assets located in China is $331.6 million (2014: $481.6 million) and the United States of America is $101.2 million (2014: $70.8 million). Segment assets are allocated to countries based on where the assets are located.

	2015 $m	2014 $m
Reconciliation of segment operating liabilities to total liabilities per consolidated statement of financial position		
Segment operating liabilities	(708.0)	(548.7)
Liabilities held at corporate level	(62.2)	(59.8)
Derivative financial instruments	(41.2)	(91.4)
Interest bearing loans and borrowings – current	(79.2)	(36.1)
Interest bearing loans and borrowings – non-current	(1,556.1)	(1,161.6)
Current tax liabilities	(6.4)	–
Deferred tax liabilities	(98.3)	(359.1)
Total liabilities per consolidated statement of financial position	**(2,551.4)**	**(2,256.7)**

3. SIGNIFICANT ITEMS

(Loss)/profit before tax includes the following income and expenses for which disclosure is relevant in explaining the underlying financial performance of the Group.

	2015 $m	2014 $m
Significant items		
Gain on sale of investments and equity accounted investees	36.5	41.2
Impairment of equity accounted investees	(99.3)	(42.2)
Share of results from equity accounted investees attributable to significant items	(457.5)	(0.9)
Writedown of inventory to net realisable value	(10.4)	–
Impairment of intangible assets	(300.6)	–
Impairment of other financial assets	(26.4)	–
Loss on sale of investments and derivative financial instruments	(33.5)	–
Fair value movement of derivatives	(8.5)	(1.8)
Restructuring and redundancy costs	(7.0)	(15.8)
Unrealised foreign exchange gain in other income	11.6	–
Significant items in finance income	16.3	19.8
Acquisition transaction costs incurred	(13.1)	(1.3)
Legal settlements received or receivable	10.9	2.5
Other	–	7.0
Total significant items before income tax	**(881.0)**	**8.5**
ATO formation valuation settlement	142.3	–
Income tax benefit on significant items	175.3	0.8
Total significant items	**(563.4)**	**9.3**

Gain on sale of investments and equity accounted investees relates to the profit realised on the sale of available-for-sale financial assets and equity accounted investees.

Impairment of equity accounted investees relates to the $14.7 million impairment reversal of the Group's investment in the ordinary equity of Seven West Media Limited and the $114.0 million impairment of the Group's investment in Coates Hire. Refer to Note 11: Investments Accounted for Using the Equity Method.

Share of results from equity accounted investees attributable to significant items relates to the Group's share of significant items included in the results of equity accounted investees, such as impairment of assets, restructuring and redundancy costs, payments for the termination of senior management, write-off of previously capitalised borrowing costs and onerous contract provisions.

Writedown of inventory to net realisable value relates to the writedown of aged and slow moving inventory in AllightSykes. Refer to Note 10: Inventories.

Impairment of intangible assets relates to the impairment of WesTrac China distribution network and AllightSykes' goodwill. Refer to Note 14: Intangible Assets.

Impairment of other financial assets relates to the impairment of listed investments within the Group's available-for-sale investment portfolio.

Loss on sale of investments and derivative financial instruments relates to the loss on disposal of equity swap and listed shares.

Fair value movement of derivatives relates to the Group's mark-to-market of cash-settled equity derivatives which are not part of a designated hedge.

Restructuring and redundancy costs relate to the restructuring programs undertaken by WesTrac Australia, WesTrac China and AllightSykes.

Unrealised foreign exchange gain in other income relates to the net of unrealised foreign exchange gains and losses.

Significant items in finance income comprises finance fee income relating to the loans receivable from Nexus Energy Limited (Nexus) prior to acquisition. In the prior year, it included the unwind of discount to reflect the cash received from deferred proceeds on the sale of vividwireless, finance fee income relating to the loans receivable from Nexus and financial guarantee fee income received from equity accounted investees.

Acquisition transaction costs incurred relates to acquisition costs incurred for one-off transactions.

Legal settlements received or receivable relates to one-off legal settlements received or receivable.

Other relates to a refund of stamp duty on the Bucyrus Australia acquisition in the prior year.

ATO formation valuation settlement comprises the settlement of an outstanding tax objection with the Australian Taxation Office (ATO). Refer to Note 6: Income Tax.

4. REVENUE AND EXPENDITURE

Accounting policy

Revenues are recognised at the fair value of the consideration received or receivable, net of goods and services tax (GST). Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Sales revenue comprises revenue earned from the provision of goods and services to entities outside of the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from product sales	Revenue from product sales is recognised upon the delivery of goods to customers: • when risks and rewards have been transferred which is considered to occur upon the delivery of goods to the customers; and • there is no significant unfulfilled obligation that could affect the customer's acceptance of the products.
Revenue from product support	Revenue from product support is recognised in the accounting period in which the services are rendered. For fixed price contracts, revenue is recognised under the percentage of completion method, based on the actual services provided as a proportion of the total services to be provided.
Maintenance and repair contracts (MARC)	Contract revenues and expenses are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. Where it is probable that a loss will arise from a MARC, the excess of total directly attributable expected contract costs over total expected contract revenue is recognised as an expense immediately. Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of the costs incurred.
Revenue from sale of oil, gas and condensate	Revenue derived from the sale of condensate is brought to account after each shipment is loaded. Oil and gas sales are recognised on production following delivery into the pipeline.
Other income	Other revenue comprises sundry income and is earned when goods and services are rendered. Dividend income is recognised net of any franking credits. Dividend income is recognised when the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Critical accounting estimates and judgements

Revenue recognition – MARC

Contract revenues and expenses are recognised by reference to the percentage of completion method for each identifiable component. In determining revenue and expense for MARC, management makes assumptions and estimates regarding the work performed to date as a percentage of the total work to be performed and estimated revenues and expenses over the life of the contract. Where contract variations are recognised in revenue, assumptions are made regarding the probability that customers will approve those contract variations and the amount of revenue arising from contract variations.

	2015 $m	Restated 2014 $m
Revenue		
Revenue from product sales	1,056.7	1,561.2
Revenue from product support	1,677.0	1,499.3
Revenue from sale of oil, gas and condensate	21.4	–
Other revenue	24.5	27.7
Total revenue	**2,779.6**	**3,088.2**
Expenditure excluding depreciation and amortisation		
Materials cost of inventory sold and used in product sales and product support	(1,789.1)	(1,970.0)
Raw materials and consumables purchased	(88.6)	(84.7)
Employee benefits	(476.0)	(555.5)
Operating lease rental	(68.9)	(70.7)
Writedown of inventory to net realisable value	(10.4)	–
Impairment of intangible assets	(300.6)	–
Impairment of other financial assets	(26.4)	–
Loss on sale of investments and derivative financial instruments	(33.5)	–
Fair value movement of derivatives	(8.5)	(1.8)
Other expenses	(207.2)	(204.0)
Total expenses excluding depreciation and amortisation	**(3,009.2)**	**(2,886.7)**

Refer to Note 1 regarding the restatement of comparative balances.

5. NET FINANCE EXPENSE

Accounting policy

Net finance expense comprises interest payable on borrowings calculated using the effective interest method, unwinding of discount on provisions and deferred consideration and interest receivable on funds invested.

Interest income and interest expense also include components of finance lease payments and is recognised in the profit or loss as it accrues, using the effective interest method.

	2015 $m	2014 $m
Finance income		
Interest income on bank deposits	7.9	23.0
Interest income on loans receivable – Nexus Energy Limited (pre-acquisition)	10.9	3.8
Fair value unwind of deferred consideration	–	8.6
Financial guarantee fee income from equity accounted investee	–	4.0
Finance fee income – Nexus Energy Limited (pre-acquisition)	16.3	7.2
Other	0.3	0.1
Total finance income	**35.4**	**46.7**
Finance costs		
Interest expense	(90.5)	(90.5)
Borrowing costs	(9.7)	(8.6)
Unwind of discount on provisions	(2.5)	–
Total finance costs	**(102.7)**	**(99.1)**
Net finance costs	**(67.3)**	**(52.4)**

6. INCOME TAX

Accounting policy

Income tax expense comprises current and deferred tax expense. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income. Current tax expense for the period is the expected tax payable on the current period's taxable income based on the enacted or substantively enacted income tax rate for each jurisdiction adjusted by changes to tax payable in respect of previous years.

Deferred income tax is recognised on temporary differences arising between the expected tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets have been recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and when they relate to income taxes levied by the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Tax exposures

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities that will impact tax expense in the period if such a determination is made.

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Seven Group Holdings Limited.

Critical accounting estimates and judgements

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken for which the ultimate tax determination is uncertain. Assumptions are made about the application of income tax legislation. These assumptions are subject to risk and uncertainty and there is a possibility that changes in circumstances will alter expectations which may impact the amount of deferred tax assets, liabilities and provision for income taxes recorded in the statement of financial position. In these circumstances the carrying amount of deferred tax assets, liabilities and provision for income taxes may change impacting the profit or loss of the Group.

6. INCOME TAX (CONTINUED)

	Note	2015 $m	2014 $m
Income tax expense			
Current tax expense		(123.6)	(30.3)
Deferred tax benefit/(expense)		268.5	(27.7)
ATO formation valuation settlement		142.3	–
Adjustment for prior years – non-temporary differences		3.8	9.8
Total income tax benefit/(expense) in consolidated statement of profit or loss		**291.0**	**(48.2)**
Reconciliation between tax expense and pre-tax statutory (loss)/profit:			
Income tax using the domestic corporation tax rate 30%		195.1	(93.2)
Recognition of deferred tax asset on capital and revenue losses, not previously recognised		2.8	–
Franked dividends		25.5	22.8
Share of equity accounted investee's net (loss)/profit		(12.0)	6.6
Non-taxable capital gain		–	4.5
Non-assessable income		5.4	4.2
Non-deductible expenses		(4.5)	(4.6)
Other assessable income		–	(0.2)
Impairment of assets		(71.1)	–
ATO formation valuation settlement		142.3	–
Over provided in prior years		3.8	9.8
Difference in overseas tax rates		3.7	1.9
Income tax benefit/(expense)		**291.0**	**(48.2)**
Deferred income tax recognised directly in equity			
Relating to available-for-sale financial assets	23	(19.7)	(18.9)
Relating to cash flow hedge reserve	23	(5.4)	(5.1)
Relating to foreign currency translation reserve		1.1	0.5
Total deferred income tax recognised directly in equity		**(24.0)**	**(23.5)**

During the year, the Company settled an outstanding tax objection with the Australian Taxation Office (ATO) relating to the tax cost base of assets on formation of Seven Group Holdings Limited in May 2010. The settlement resulted in an increase in the tax cost base of certain tax consolidated group assets and accordingly, an income tax benefit of $142.3 million has been recognised in the current year consolidated statement of profit or loss. As some of the assets were disposed of in prior financial years, amended income tax returns were lodged with the ATO, resulting in tax refunds totalling $21.9 million.

The Company and a number of its wholly owned subsidiaries are the subject of risk reviews by Australian and overseas taxation authorities. These reviews are in the ordinary course of business.

	Opening balance $m	Recognised in profit $m	Recognised in equity $m	Other[a] $m	Closing balance $m
Year ended 30 June 2015					
Deferred tax assets and liabilities					
Investments	(389.7)	259.6	(19.7)	–	(149.8)
Derivative financial instruments	(4.8)	4.9	(5.4)	–	(5.3)
Inventories and receivables	7.7	6.2	–	–	13.9
Intangible assets	(18.7)	18.7	–	–	–
Property, plant and equipment	(1.7)	(15.3)	–	–	(17.0)
Trade and other payables	35.7	9.5	–	–	45.2
Provisions	18.9	(1.3)	–	–	17.6
Tax losses – revenue	–	–	–	18.2	18.2
Transaction costs deducted over five years	1.6	(0.5)	–	–	1.1
Other	2.0	(13.3)	1.1	–	(10.2)
Net deferred tax liability	**(349.0)**	**268.5**	**(24.0)**	**18.2**	**(86.3)**
Deferred tax asset					12.0
Deferred tax liability					(98.3)
Net deferred tax liability					**(86.3)**
Year ended 30 June 2014					
Deferred tax assets and liabilities					
Investments	(368.9)	(1.9)	(18.9)	–	(389.7)
Derivative financial instruments	(1.8)	2.1	(5.1)	–	(4.8)
Inventories and receivables	32.2	(24.5)	–	–	7.7
Intangible assets	(19.5)	0.8	–	–	(18.7)
Property, plant and equipment	(3.0)	1.3	–	–	(1.7)
Trade and other payables	31.6	4.1	–	–	35.7
Prepayments	0.4	(0.4)	–	–	–
Provisions	19.8	(0.9)	–	–	18.9
Transaction costs deducted over five years	4.4	(2.8)	–	–	1.6
Other	7.0	(5.5)	0.5	–	2.0
Net deferred tax liability	**(297.8)**	**(27.7)**	**(23.5)**	**–**	**(349.0)**
Deferred tax asset					10.1
Deferred tax liability					(359.1)
Net deferred tax liability					**(349.0)**

(a) tax loss referable to equity accounted investee in the SGH tax consolidated group.

As at 30 June 2015, the Group had not recognised:

- deferred tax assets of $114.0 million (2014: $122.4 million) for deductible temporary differences relating to unrealised tax benefits as it is not probable that future gains will be realised against which it could utilise the benefits;
- deferred tax asset of $262.5m (2014: nil) for deductible temporary differences relating to Petroleum Resource Rent Tax credits arising from the Nexus Energy Limited acquisition on 31 December 2014; and
- deferred tax liabilities of $4.7 million (2014: $1.5 million) in respect of assessable temporary differences in relation to investments where management controls the timing of the reversal of the temporary difference and the temporary difference is not expected to reverse in the foreseeable future.

7. EARNINGS PER SHARE

Accounting policy

Basic earnings per share (EPS) is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Underlying earnings per share from continuing operations is statutory earnings per share adjusted for significant items. The weighted average number of shares used to calculate underlying earnings per share is the same as the weighted average number of shares used to calculate statutory earnings per share.

7. EARNINGS PER SHARE (CONTINUED)

Profit or loss attributable to ordinary shareholders is stated after allocation of the portion of profit or loss attributable to holders of TELYS4.

	2015 $	2014 $
Statutory earnings per share		
Ordinary shares – total earnings per share from continuing operations:		
– Basic / diluted	(1.29)	0.77

	2015 $m	2014 $m
Earnings reconciliation by category of share		
– Ordinary shares	(386.2)	235.3
– TELYS4	25.9	25.8
Net (loss)/profit attributable to equity holders of the Company	**(360.3)**	**261.1**

	2015 Number	2014 Number
WEIGHTED AVERAGE NUMBER OF SHARES		
Ordinary shares for basic earnings per share:		
Issued shares as at 1 July	302.7	308.2
– Shares bought back and cancelled[(a)]	(6.5)	(5.5)
Issued shares as at 30 June	**296.2**	**302.7**
Weighted average number of shares (basic and diluted) as at 30 June[(b)]	**298.3**	**307.3**
TELYS4		
Issued shares at as 1 July	5.0	5.0
Issued shares as at 30 June	**5.0**	**5.0**
Weighted average number of shares (basic and diluted) as at 30 June	**5.0**	**5.0**

(a) refer to Note 23: Capital and Reserves for details of shares bought back and cancelled during the year.
(b) weighted average number of shares adjusted for effect of treasury shares held.

There were no options that were exercisable, dilutive or anti-dilutive at 30 June 2015 (2014: nil exercisable, dilutive or anti-dilutive).

	2015 $	2014 $
Underlying earnings per share (non-IFRS measure)		
Ordinary shares – total underlying earnings per share from continuing operations:		
– Basic / diluted	0.59	0.74

Underlying earnings from continuing operations is a non-IFRS measure and is reconciled to statutory (loss)/profit as follows:

	2015 $m	2014 $m
Net (loss)/profit attributable to equity holders of the Company	(360.3)	261.1
Add/less: significant items (refer Note 3)	563.4	(9.3)
Underlying net profit attributable to equity holders of the Company	203.1	251.8
Allocated underlying earnings to category of share:		
– Ordinary shares	177.2	226.0
– TELYS4	25.9	25.8
Net underlying earnings attributable to equity holders of the Company	**203.1**	**251.8**

8. TRADE AND OTHER RECEIVABLES

Accounting policy

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are generally due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An impairment provision for receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is recognised in profit or loss and the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other debtors are reviewed on an ongoing basis and are written down to their recoverable amount when this amount is in excess of their carrying value.

The Group has an established credit policy under which new customers are analysed individually for creditworthiness before the Group's standard payment, delivery terms and conditions are offered. The Group's review includes external ratings, when available, such as Veda Advantage. Purchase limits are established for each customer and these limits are reviewed annually or upon request. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group upon lodging of a Bank Guarantee as a security document or on a strictly pre-paid (cleared funds) only basis.

	2015 $m	2014 $m
Trade receivables	388.4	429.6
Provision for impairment losses	(14.4)	(10.2)
Collateral provided	18.1	96.6
Other receivables	60.0	83.0
Total trade and other receivables	**452.1**	**599.0**

Collateral provided relates to cash collateral provided in respect of equity derivative positions. In the prior year, it also included a $60 million cash on deposit in favour of Santos Offshore Pty Ltd (Santos) as security for the supply of raw gas by Nexus Energy Limited.

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the profit or loss. Due to the short-term nature of these receivables their carrying value is assumed to approximate their fair value.

The Group's and the Company's exposure to credit risk is predominately in Australia and China. The Group's exposure to credit risk and impairment losses related to trade and other receivables is outlined below.

Past due but not impaired

As at 30 June 2015, trade receivables of $98.8 million (2014: $74.7 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2015 $m	2014 $m
Past due 1–30 days	52.4	9.3
Past due 31–60 days	14.7	18.1
Past due 61 – 90 days	6.1	8.8
> 91 days	25.6	38.5
Total trade receivables past due but not impaired	**98.8**	**74.7**

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2015 $m	2014 $m
Balance at beginning of the year	10.2	10.1
Impairment loss recognised in profit or loss	3.8	0.4
Impairment loss reversed in profit or loss	(0.7)	–
Receivables expensed as uncollectable during the year	(0.6)	(0.2)
Exchange differences	1.7	(0.1)
Balance at end of the year	**14.4**	**10.2**

9. TRADE AND OTHER PAYABLES

Accounting policy

Trade payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within normal trading terms.

	2015 $m	Restated 2014 $m
Current		
Trade payables	147.9	269.8
Other payables	189.2	25.8
Accruals	35.7	43.5
Payable to equity accounted investee	30.7	18.1
Total trade and other payables – current	**403.5**	**357.2**
Non-current		
Cash settled share appreciation rights	1.1	0.7
Total other payables – non-current	**1.1**	**0.7**

The Group's trade and other payables (excluding accruals) are due to mature within one year. Due to the short-term nature of these payables their carrying value is assumed to approximate their fair value.

The Company has entered into a Deed of Cross Guarantee with certain subsidiaries as described in Note 29: Controlled Entities. Under the terms of the Deed, the Company has guaranteed the repayment of all current and future creditors in the event that any of the entities party to the Deed are wound up. Details of the consolidated financial position of the Company and parties to the Deed are set out in Note 29.

10. INVENTORIES

Accounting policy

Inventories are measured at the lower of cost and net realisable value.

Cost is based on the actual costs, with the exception of exchange component inventory and parts inventory for which cost is based on weighted average cost, and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. Net realisable value is determined on the basis of the Group's normal selling pattern. Expenses for marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

	2015 $m	2014 $m
Raw materials – at cost	26.9	25.2
Work-in-progress – at cost	32.5	34.2
Finished goods		
– at cost	774.7	713.7
– at net realisable value	95.1	83.5
Total finished goods	869.8	797.2
Total inventories	**929.2**	**856.6**

During the year, an expense of $10.4m was recognised by AllightSykes in the profit or loss for the writedown of aged and slow moving inventory to net realisable value (2014: nil).

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Accounting policy

Investments accounted for using the equity method comprise investments in associates and joint ventures (equity accounted investees). Investments in equity accounted investees are initially recognised at cost and subsequently accounted for using the equity method.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence generally exists when the Group holds between 20 and 50 per cent of the voting rights of another entity, unless it can be clearly demonstrated that this is not the case.

Joint ventures are those entities over whose activities the Group has joint control and rights to the net assets of the arrangement, rather than rights to the assets and obligations for its liabilities.

The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of post acquisition income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group. When the Group's share of losses equals or exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Dividends received or receivable from equity accounted investees are recognised as a reduction in the carrying amount of the investment.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in that investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Critical accounting estimates and judgements

Control, joint control or significant influence

Significant judgement and assumptions are made in determining whether an entity has control, joint control or significant influence over another entity and the type of the joint arrangement. In considering the classification, management considers whether control exists, the nature and structure of the relationship and other facts and circumstances.

Impairment of investments accounted for using the equity method

In accordance with AASB 136 *Impairment of Assets*, the recoverable amount of assets is the greater of its value-in-use and its fair value less cost of disposal. In the absence of quoted market prices, an asset's value-in-use is calculated by estimating the present value of future cash flows using an asset specific discount rate. These calculations also require the use of assumptions regarding profit margins, growth rates and discount rates.

In determining the amount of impairment for equity accounted investees that are listed, management has made judgements in identifying financial assets that are impaired due to industry factors or whose decline in fair value below original cost is considered significant or prolonged. A significant decline is assessed based on the percentage decline from the acquisition cost of the share, while a prolonged decline is based on the length of the time over which the share price has been depressed below cost. Management considers a decline of 30 per cent to be significant and a period of 12 months to be prolonged.

	2015 $m	2014 $m
Investments in associates:		
Seven West Media Limited	631.1	661.8
Individually immaterial associates	32.8	31.4
Investments in joint ventures:		
Coates Group Holdings Pty Limited	291.7	452.3
Individually immaterial joint ventures	28.3	26.4
Total investments accounted for using the equity method	**983.9**	**1,171.9**

Seven West Media Limited

Seven West Media Limited (Seven West Media) is the leading listed national multi-platform media business based in Australia. The Group has classified its investment in Seven West Media as an associate as the Group, through its 40.9% (2014: 35.3%) ownership interest and equivalent voting rights has the ability to significantly influence, but not control or jointly control the financial and operating policy decisions of Seven West Media. The Group's investment in Seven West Media is held for strategic purposes and disclosed within the Media investments segment.

On 4 June 2015, the Company exercised its conversion rights over the 2,500 convertible preference shares (CPS) in Seven West Media. Upon conversion, the Company was issued with 265,749,570 ordinary shares in Seven West Media, resulting in an increase in the ownership percentage to 40.9%. Despite the increase in ownership percentage, management continue to assess that the Group has significant influence, but not control, over Seven West Media.

Coates Group Holdings Pty Limited

Coates Group Holdings Pty Limited (Coates Hire) is Australia's largest and leading rental company. The investment deed entered into by a wholly-owned Group subsidiary, National Hire Group Limited (National Hire) and The Carlyle Group (Carlyle) confers equal control rights of Coates Hire to National Hire and Carlyle. As the Group has joint control and Coates Hire is a separate entity in which the Group has an interest in the residual net assets, the Group's investment in Coates Hire is classified as a joint venture. The Group's investment in Coates Hire is held for strategic purposes and disclosed within the Coates Hire segment.

Although the Group's voting rights in Coates Hire is 50%, the Group has determined its economic interest to be 46.4% (2014: 45.0%) after considering vesting conditions for options issued under Coates Hire's Management Equity Plan.

Detailed in the table below are the Group's associates and joint ventures as at 30 June 2015. The country of incorporation is also their principal place of business.

Investee	Principal activities	Country of incorporation	Balance date	OWNERSHIP INTEREST 2015 %	2014 %
Associates					
Energy Power Systems Australia Pty Ltd	Distribution and rental of CAT engine products	Australia	30 Jun	40.0%	40.0%
Mo's Mobiles Pty Limited	Mobile phone retailer	Australia	30 Jun	25.0%	25.0%
Premier Capital Developments Pty Limited	Property management	Australia	30 Jun	25.0%	25.0%
Revy Investments Pty Limited	Property management	Australia	30 Jun	25.0%	25.0%
Revy Investments Trust	Property management	Australia	30 Jun	25.0%	25.0%
Seven West Media Limited[(a)]	Media	Australia	27 Jun	40.9%	35.3%
Joint ventures					
Coates Group Holdings Pty Limited[(b)]	Rental services	Australia	30 Jun	46.4%	45.0%
Flagship Property Holdings Pty Limited[(c)]	Property management	Australia	31 Dec	47.3%	46.8%
Kings Square Pty Ltd	Property development	Australia	30 Jun	50.0%	50.0%
Kings Square No. 4 Unit Trust	Property development	Australia	30 Jun	50.0%	50.0%

(a) the Group's interest in Seven West Media Limited increased to 40.9% on 4 June 2015 with the early conversion of the CPS.

(b) the Group has determined its economic interest in Coates Group Holdings Pty Limited to be 46.4% after the lapsing of options issued under Coates Hire's Management Equity Plan.

(c) the Group's interest in Flagship Property Holdings Pty Limited increased to 47.3% following the acquisition of interests held by a departing shareholder by remaining shareholders on 30 July 2014.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

The summarised financial information for the Group's material associate and material joint venture is detailed below.

The information disclosed reflects the amounts presented in the financial statements of the relevant associate and joint venture and not the Group's share of those amounts.

	ASSOCIATE SEVEN WEST MEDIA		JOINT VENTURE COATES HIRE	
	2015 $m	2014 $m	2015 $m	2014 $m
Summarised financial information of investees (100%)				
Summarised Statement of Financial Position				
Current assets				
Cash and cash equivalents	141.8	68.8	25.6	49.5
Other current assets	432.3	464.9	259.1	242.0
Total current assets	574.1	533.7	284.7	291.5
Non-current assets				
Goodwill	29.7	1,057.4	920.9	1,258.2
Intangible assets	1,525.5	2,487.8	103.5	120.5
Other non-current assets	476.7	530.9	766.8	1,001.4
Total non-current assets	2,031.9	4,076.1	1,791.2	2,380.1
Current liabilities				
Financial liabilities (excluding trade and other payables and provisions)	–	–	135.0	133.3
Other current liabilities	411.5	400.4	142.9	146.1
Total current liabilities	411.5	400.4	277.9	279.4
Non-current liabilities				
Financial liabilities (excluding trade and other payables and provisions)	874.7	1,227.4	1,103.9	1,244.0
Other non-current liabilities	124.8	84.9	32.8	47.5
Total non-current liabilities	999.5	1,312.3	1,136.7	1,291.5
Net assets	**1,195.0**	**2,897.1**	**661.3**	**1,100.7**
Group's share (%)	40.9%	35.3%	46.4%	45.0%
Group's share of net assets	488.8	1,022.7	306.8	495.3
Share of goodwill impairment not recognised	571.0	124.8	156.5	–
Adjustment to align accounting policies	(18.3)	(9.1)	–	–
Fair value adjustment on acquisition	–	–	(35.6)	(35.6)
Share of rights issue not taken up	(125.2)	–	–	–
Elimination of unrealised profits to equity accounted investee	–	–	(7.6)	(7.4)
Change in ownership interest	176.7	–	(14.4)	–
Cumulative impairment of equity accounted investee	(461.9)	(476.6)	(114.0)	–
Carrying amount	**631.1**	**661.8**	**291.7**	**452.3**
Summarised Statement of Comprehensive Income				
Revenue	1,770.4	1,844.9	919.3	1,095.0
Depreciation and amortisation	(50.7)	(50.0)	(205.2)	(243.2)
Impairment expense	(2,065.2)	(87.0)	(337.3)	–
Net interest expense	(60.7)	(77.8)	(104.3)	(111.2)
Income tax expense	(60.2)	(94.2)	39.7	(6.4)
(Loss)/profit for the year	(1,887.4)	149.2	(435.9)	39.7
Other comprehensive (expense)/income	(2.3)	2.9	(98.6)	11.1
Total comprehensive income for the year	**(1,889.7)**	**152.1**	**(430.8)**	**50.8**
Dividends received by the Group	**42.4**	**42.4**	**–**	**–**

	2015 $m	2014 $m
Share of investees' net (loss)/profit		
Investments in associates:		
Seven West Media Limited	(342.5)	74.4
Individually immaterial associates	3.2	2.2
Investments in joint ventures:		
Coates Group Holdings Pty Limited	(43.1)	20.0
Individually immaterial joint ventures	5.0	7.0
Share of net (loss)/profit of equity accounted investees	**(377.4)**	**103.6**
Market values of listed investments accounted for using the equity method		
Seven West Media Limited		
Book value	631.1	661.8
Market value	631.1	661.8

An impairment reversal of $14.7 million (2014: impairment of $42.2 million) relating to the Group's investment in Seven West Media was recognised in impairment of equity accounted investees in the consolidated statement of profit or loss during the year.

Seven West Media recognised an impairment expense of $2,065.2 million relating to television, newspapers, magazine goodwill and mastheads and licences in the year ended 27 June 2015. The Group did not recognise its share of $1,065.0 million of this expense as the cumulative impairment previously recognised against the Group's investment in the ordinary shares of Seven West Media exceeded this amount.

Impairment testing of investment in Coates Hire

Following a below budget operating profit in the year ended 30 June 2015 and continued contraction in the rental equipment industry as a result of an easing in project activity in both the mining and liquefied natural gas (LNG) sectors, the Group assessed the recoverable amount of its investment in Coates Hire. The carrying amount of the Group's investment in Coates Hire was determined to be higher than its recoverable amount of $291.7 million and as a result an impairment loss of $114.0 million (2014: nil) was recognised. This expense is included in impairment of equity accounted investees in the consolidated statement of profit or loss and other comprehensive income.

The recoverable amount of the Group's investment in Coates Hire was determined using value-in-use calculations. These calculations use discounted cash flow projections based on financial budgets approved by the board covering a five year period.

Cash flows beyond the five year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which Coates Hire operates.

Key assumptions used for value-in-use calculations

The table below shows both the key assumptions for the value-in-use calculations:

	2015 Growth rate[(a)] %	2015 Discount rate (pre-tax) %	2014 Growth rate[(a)] %	2014 Discount rate (pre-tax) %
Key assumptions for value-in-use model	2.50	11.79	2.50	11.60

(a) growth rate used to extrapolate cash flows beyond forecast period.

Following recognition of the impairment loss for Coates Hire, the recoverable amount is equal to the carrying amount. Accordingly, any adverse change in a key assumption may result in a further impairment.

12. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Property, plant and equipment is measured at historical cost less accumulated depreciation and impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditure is capitalised in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance is charged to the profit or loss during the reporting period in which they are incurred.

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Accounting policy (continued)

Freehold land is not depreciated. The cost of improvements to or on leasehold properties is amortised over the shorter of the unexpired period of the lease or the estimated useful life of the improvement to the Group.

Depreciation on the following assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Buildings	40 years
Leasehold improvements	1 – 25 years
Plant and equipment	2 – 12 years

Rental fleet assets are depreciated on a reducing balance method at a rate of 30%.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

	Freehold land and buildings $m	Leasehold improvements $m	Plant and equipment $m	Total $m
Year ended 30 June 2015				
Movement in property, plant and equipment				
Carrying amount at beginning of the year	**43.9**	**49.4**	**144.0**	**237.3**
Additions	–	2.3	13.2	15.5
Acquisition from business combination	–	–	0.4	0.4
Disposals	–	–	(0.8)	(0.8)
Depreciation	(3.6)	(3.9)	(36.0)	(43.5)
Exchange differences	1.5	0.8	2.6	4.9
Other[(a)]	–	(0.1)	2.6	2.5
Carrying amount at end of the year	**41.8**	**48.5**	**126.0**	**216.3**
At cost	51.6	72.1	280.5	404.2
Accumulated depreciation	(9.8)	(23.6)	(154.5)	(187.9)
Total property, plant and equipment	**41.8**	**48.5**	**126.0**	**216.3**
Year ended 30 June 2014				
Movement in property, plant and equipment				
Carrying amount at beginning of the year	**46.1**	**44.3**	**176.6**	**267.0**
Additions	–	8.2	11.0	19.2
Acquisition from business combination	–	–	0.3	0.3
Disposals	(0.7)	(0.1)	(1.7)	(2.5)
Depreciation	(1.1)	(3.1)	(40.6)	(44.8)
Exchange differences	(0.1)	–	0.3	0.2
Other[(a)]	(0.3)	0.1	(1.9)	(2.1)
Carrying amount at end of the year	**43.9**	**49.4**	**144.0**	**237.3**
At cost	54.6	68.1	334.2	456.9
Accumulated depreciation	(10.7)	(18.7)	(190.2)	(219.6)
Total property, plant and equipment	**43.9**	**49.4**	**144.0**	**237.3**

(a) other includes net transfer from inventory, impairments and reclassifications.

Producing and development assets are now disclosed within oil and natural gas assets on the consolidated statement of financial position rather than in property, plant and equipment. Refer to Note 13: Oil and natural gas assets.

13. OIL AND NATURAL GAS ASSETS

Accounting policy

Oil and natural gas exploration, evaluation and development expenditure is accounted for using the successful efforts method of accounting.

Pre-licence costs

Pre-licence costs are expensed in the period in which they are incurred.

Licence and property acquisition costs

Exploration licence and leasehold property acquisition costs are capitalised in exploration and evaluation assets. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit. Licence and property acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing. If no future activity is planned or the licence has been relinquished or has expired, the carrying value of the licence and property acquisition costs is written off through profit or loss. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to producing and development assets.

Exploration and evaluation costs

Exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Once the legal right to explore has been acquired, costs directly associated with an exploration well are capitalised as exploration and evaluation assets until the drilling of the well is complete and the results have been evaluated. These costs include directly attributable employee benefits, materials and fuel used, rig costs and payments made to contractors.

Geological and geophysical costs are recognised in profit or loss as incurred.

If no potentially commercial hydrocarbons are discovered, the exploration asset is written off through profit or loss as a dry hole. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), are likely to be capable of being commercially developed, the costs continue to be carried as an exploration and evaluation asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalised as an exploration and evaluation asset.

All such capitalised costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off through profit or loss. When proved reserves of oil and natural gas are identified, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to producing and development assets. Other than licence costs, no amortisation is charged during the exploration and evaluation phase.

The ultimate recoupment of the carrying value of the Group's exploration and evaluation assets is dependent on successful commercial exploitation, or the sale of the respective area of interest.

Development costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within development assets.

Depreciation/amortisation

Oil and gas properties are depreciated/amortised on a unit of production basis over the total proved developed and undeveloped reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case, the straight-line method is applied.

Critical accounting estimates and judgements

Estimates on reserve quantities

The estimated quantities of proven plus probable reserves are integral to the calculation of amortisation expense and the assessment of possible impairment of assets. Estimated reserve quantities are based upon interpretations of geological and geophysical models and assessments of technical feasibility and commercial viability of producing the reserves. These estimates require assumptions to be made regarding future development and production costs, commodity prices and exchange rates. The estimates of reserves may change from period to period, and as additional geological data is generated during the course of the operations. Reserve estimates are prepared in accordance with guidelines prepared by the Society of Petroleum Engineers.

13. OIL AND NATURAL GAS ASSETS (CONTINUED)

	Producing and development assets $m	Exploration and evaluation assets $m	Total $m
Year ended 30 June 2015			
Movement in oil and natural gas assets			
Carrying amount at beginning of the year	**45.1**	**25.6**	**70.7**
Additions	40.8	0.3	41.1
Acquisition from business combination	326.1	5.5	331.6
Exploration costs expensed	–	(2.1)	(2.1)
Depreciation	(10.5)	–	(10.5)
Exchange differences	16.2	–	16.2
Transfer	23.5	(23.5)	–
Carrying amount at end of the year	**441.2**	**5.8**	**447.0**
At cost	451.7	5.8	457.5
Accumulated depreciation	(10.5)	–	(10.5)
Total oil and natural gas assets	**441.2**	**5.8**	**447.0**
Year ended 30 June 2014			
Movement in oil and natural gas assets			
Carrying amount at beginning of the year	**–**	**–**	**–**
Additions	45.1	25.6	70.7
Carrying amount at end of the year	**45.1**	**25.6**	**70.7**
At cost	45.1	25.6	70.7
Total oil and natural gas assets	**45.1**	**25.6**	**70.7**

Producing and development assets comprise of the Group's operating interests in oil and gas assets located in the United States of America and Australia. The Australian assets were acquired as part of the acquisition of Nexus Energy Limited. Refer to Note 30: Business Combination for further details.

Joint operation

The Group, through its wholly-owned subsidiary SGH Energy WA Pty Ltd, is party to the Crux oil and gas joint venture operation.

The Group has disclosed its interests in the following permits:

			UNINCORPORATED INTEREST	
Petroleum exploration permit/licence	Principal activities	Operator of joint venture operation	2015 %	2014 %
AC/RL9	Oil and gas exploration	Shell Australia Pty Ltd	15.0%	–

Contingent liabilities in respect of joint venture operations are detailed in Note 25: Contingent Liabilities. Exploration expenditure commitments and capital commitments in respect of joint venture operations are detailed in Note 26: Commitments.

14. INTANGIBLE ASSETS

Accounting policy

Distribution networks

The distribution networks of the Group are considered by the Directors to be identifiable intangible assets.

The Directors are of the opinion that the distribution networks have an indefinite useful life, and as such the distribution networks are not subject to amortisation but rather are tested annually for impairment or more frequently if events or changes in circumstances indicate impairment. The basis for the classification of indefinite life is that the dealership agreements do not require specific renewal over set intervals thus the distribution rights continue uninterrupted unless a cause to terminate is triggered.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/equity accounted investee at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of equity accounted investees is included in investments in equity accounted investees.

Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units (CGU) for the purpose of impairment testing. Each of those CGUs represents the Group's investment in each country of operation by each primary reporting segment.

Impairment of intangible assets

Goodwill and intangible assets that have an indefinite life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses are recognised in profit or loss unless the asset has previously been revalued, in which case the impairment is recognised as a reversal to the extent of that previous revaluation with any excess recognised in the profit or loss.

Critical accounting estimates and judgements

Dependency on key suppliers

WesTrac Group is dependent on Caterpillar to maintain its authorisation as an authorised dealer of Caterpillar equipment and parts in its Western Australia, New South Wales/ACT and North Eastern China Service Territories. The WesTrac Group has maintained a strong relationship with Caterpillar and although WesTrac Group expects this relationship to continue, as is customary in dealer agreements with Caterpillar, the dealer agreement can be terminated by either party upon 90 days notice at any time.

The Group is also dependent on Caterpillar for timely supply of equipment and parts from their global manufacturing factories and distribution warehouses. During periods of intense demand or in the event of disruption to Caterpillar's business there may be delays in the supply of equipment and parts to WesTrac Group. This has not in the past proven to be an impediment to the WesTrac Group.

Management judgement is required to estimate the impact of the loss of key suppliers on future earnings, supporting existing goodwill and intangible assets.

Impairment of intangible assets

In accordance with AASB 136 *Impairment of Assets*, the recoverable amount of assets is the greater of its value-in-use and its fair value less cost of disposal. In the absence of quoted market prices, an asset's value-in-use is calculated by estimating the present value of future cash flows using an asset specific discount rate. These calculations also require the use of assumptions regarding profit margins, growth rates and discount rates.

14. INTANGIBLE ASSETS (CONTINUED)

	Distribution network $m	Goodwill $m	Other[(a)] $m	Total $m
Year ended 30 June 2015				
Movement in intangible assets				
Carrying amount at beginning of the year	**783.6**	**53.1**	**12.5**	**849.2**
Additions	–	–	23.4	23.4
Acquisition from business combination[(b)]	2.0	27.8	–	29.8
Amortisation	–	–	(8.1)	(8.1)
Impairment	(231.5)	(59.9)	(9.2)	(300.6)
Transfer[(c)]	(14.1)	14.1	–	–
Exchange differences	97.6	–	0.1	97.7
Carrying amount at end of the year	**637.6**	**35.1**	**18.7**	**691.4**
At cost	637.6	35.1	59.7	732.4
Accumulated amortisation	–	–	(41.0)	(41.0)
Total intangible assets	**637.6**	**35.1**	**18.7**	**691.4**
Year ended 30 June 2014				
Movement in intangible assets				
Carrying amount at beginning of the year	**699.4**	**53.1**	**12.7**	**765.2**
Additions	–	–	2.4	2.4
Acquisition from business combination[(b)]	92.9	–	–	92.9
Amortisation	–	–	(3.3)	(3.3)
Exchange differences	(8.7)	–	0.7	(8.0)
Carrying amount at end of the year	**783.6**	**53.1**	**12.5**	**849.2**
At cost	783.6	53.1	45.4	882.1
Accumulated amortisation	–	–	(32.9)	(32.9)
Total intangible assets	**783.6**	**53.1**	**12.5**	**849.2**

(a) other includes intellectual property, customer contracts, software and brand names.
(b) relates to the acquisition of Nexus Energy Limited and the business assets of Versatech. In the prior year, it related to the acquisition of Bucyrus China.
(c) transfer relates to finalising purchase price accounting adjustments on the acquisition of Bucyrus China.

Impairment of intangible assets

(a) Impairment tests for goodwill and distribution network

Goodwill and distribution network costs are allocated to the Group's CGUs identified according to the appropriate operating segment. Allocation is made within the individual operating subsidiaries of the Group.

A segment level summary of the goodwill and distribution network allocation is presented below.

	WesTrac Australia $m	WesTrac China $m	Allight Sykes $m	Energy[a] $m	Total $m
Year ended 30 June 2015					
Goodwill	9.2	–	–	25.9	**35.1**
Distribution network	321.0	316.6	–	–	**637.6**
Total goodwill and distribution network	**330.2**	**316.6**	**–**	**25.9**	**672.7**
Year ended 30 June 2014					
Goodwill	7.3	–	45.8	–	**53.1**
Distribution network	319.0	456.6	8.0	–	**783.6**
Total goodwill and distribution network	**326.3**	**456.6**	**53.8**	**–**	**836.7**

(a) provisional goodwill recognised on acquisition of Nexus Energy Limited on 31 December 2014. Refer to Note 30: Business Combination for further details.

WesTrac Australia distribution network and goodwill

The recoverable amount of goodwill and the WesTrac Australia distribution network is determined based on value-in-use calculations. These recoverable amount calculations use discounted cash flow projections based on financial budgets and forecasts approved by management. Cash flow projections utilised for value-in-use calculations are based on financial budgets and cover a five year period.

Based on sensitivity analysis performed no reasonable change in these assumptions would give rise to an impairment.

WesTrac China distribution network and goodwill

Following a below budget operating profit in the year ended 30 June 2015 and deterioration in the long term sales outlook, particularly referable to Bucyrus/Expanded Mining Products, the Group assessed the recoverable amount of the CGU related to WesTrac China.

The recoverable amount of the WesTrac China distribution network was assessed on a fair value less cost of disposal basis, estimated using discounted cash flow projections in United States Dollars, the functional currency of the WesTrac China CGU. Fifteen years of cash flows were included in the discounted cash flow model which is consistent with independent valuation methodologies utilised at 30 June 2014. The recoverable amount calculations use discounted cash flow projections based on financial budgets and forecasts approved by management for the first three years, then budgeted/forecasted growth rates until the terminal year which is extrapolated at a terminal growth rate of 4%. In determining the appropriate cash flows, assumptions were made regarding discount rate, terminal value growth rates, sales growth and gross margins.

The value assigned to the key assumptions represent management's assessment of assumptions that a market participant would make, including future trends in the heavy equipment market in Northern China, and were assessed by management against external market data. Gross margin and sales growth assumptions vary over the 15 year cash flow period based on management forecasts and external market data forecasts.

The carrying amount of the CGU was determined to be higher than its recoverable amount of $491.8 million and as a result an impairment loss of $237.6 million (2014: nil) was recognised. The impairment loss was allocated to goodwill and the distribution network, reducing the carrying value of the distribution network attributable to the WesTrac China segment to $316.6 million. This expense is included in impairment of intangible assets in the consolidated statement of profit or loss.

Following recognition of the impairment loss in the WesTrac China CGU, the recoverable amount is equal to the carrying amount. Accordingly, any adverse change in a key assumption may result in a further impairment.

AllightSykes distribution network and goodwill

Following a below budget operating loss in the year ended 30 June 2015 and a continued reduction in revenue due to the contraction in the mining and rental industries, particularly in Western Australia and Queensland, the Group assessed the recoverable amount of the CGU related to AllightSykes.

The recoverable amount of the AllightSykes distribution network was assessed on a value-in-use basis, using discounted cash flow projections based on financial budgets and forecasts over a five year period prepared by management. The carrying amount of the CGU was determined to be higher than its recoverable amount of $32.1 million and as a result an impairment loss of $63.0 million (2014: nil) was recognised. The impairment loss was allocated to goodwill, the distribution network and other intangible assets, reducing the carrying value of the distribution network, goodwill and other intangible assets attributable to the AllightSykes segment to nil. This expense is included in impairment of intangible assets in the consolidated statement of profit or loss.

14. INTANGIBLE ASSETS (CONTINUED)

(b) Key assumptions used for "value-in-use" and "fair value less cost of disposal" calculations

	2015 Growth rate[a] %	2015 Discount rate (pre-tax)[b] %	2014 Growth rate[a] %	2014 Discount rate (pre-tax)[b] %
Value-in-use				
Caterpillar distribution network – Australia	3.00	13.32	3.00	13.32
AllightSykes	2.50	11.78	2.75	12.93
Fair value less cost of disposal				
Caterpillar distribution network – China[c]	4.00	11.89	4.00	11.89

(a) the weighted average growth rate used to extrapolate cash flows beyond the budget or forecast period.

(b) the discount rates used reflect specific risks relating to the relevant segments and the countries in which they operate.

(c) key drivers of the forecast include general growth in China's mining industry, heavy machinery volume growth, increased market share and operating margins. The growth rate of 4% represents the terminal growth rate after 15 years. The growth rate assumed for the period prior to 15 years is based on budgets and forecasts up to 2018 and then extrapolated based on forecast growth consistent with growth forecasts for the region. These percentage growth forecasts are based on the latest economic forecasts for China and do not exceed the growth forecasts for the region.

15. PROVISIONS

Accounting policy

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Service warranties	A service warranties provision is made for the estimated liability on products under warranty at balance date. This provision is estimated having regard to service warranty experience. Other warranty costs are accrued as and when the liability arises.
Restoration	A provision for restoration is recognised when there is a legal or constructive obligation to do so. A corresponding restoration asset amount is created equivalent to the amount of the provision. The amount recognised is the estimated cost of restoration, discounted to its net present value and is reassessed each year in accordance with local conditions and requirements.
Restructuring	A provision for restructuring is recognised when steps have been taken to implement a detailed plan, including discussions with affected personnel, with employee related costs recognised over the period of any required future service.
Onerous contracts	An onerous contract is a contract in which the unavoidable cost of meeting the obligations under the contract exceeds the economic benefit expected to be received. A provision is raised in respect of operating leases or other onerous contracts.

Critical accounting estimates and judgements

Restoration

Management is required to make judgements regarding removal method, future legislation, reclamation activities required, engineering methodology for estimating costs, future removal technologies and discount rates to determine the present value of the cash flows. Changes in the estimates of restoration cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to the restoration asset.

	Service warranties $m	Restoration $m	Restructuring $m	Onerous contracts $m	Other $m	Total $m
Year ended 30 June 2015						
Movement in provisions						
Balance at beginning of the year	**49.1**	**–**	**0.1**	**8.5**	**8.1**	**65.8**
Amounts assumed in a business combination	–	114.9	–	–	–	114.9
Amounts provided for	11.5	9.3	0.4	6.0	–	27.2
Amounts used	(28.9)	(40.9)	(0.5)	(4.0)	(1.8)	(76.1)
Exchange differences	0.7	–	–	–	–	0.7
Unwind of discount	–	2.5	–	–	–	2.5
Balance at end of the year	**32.4**	**85.8**	**–**	**10.5**	**6.3**	**135.0**
Current	32.4	30.3	–	6.8	6.3	75.8
Non-current	–	55.5	–	3.7	–	59.2
Total provisions	**32.4**	**85.8**	**–**	**10.5**	**6.3**	**135.0**
Year ended 30 June 2014						
Movement in provisions						
Balance at beginning of the year	**68.3**	**–**	**10.7**	**4.5**	**2.9**	**86.4**
Amounts provided for	19.3	–	7.3	6.7	7.1	40.4
Amounts used	(38.3)	–	(17.9)	(2.7)	(1.9)	(60.8)
Exchange differences	(0.2)	–	–	–	–	(0.2)
Balance at end of the year	**49.1**	**–**	**0.1**	**8.5**	**8.1**	**65.8**
Current	49.1	–	0.1	4.0	8.1	61.3
Non-current	–	–	–	4.5	–	4.5
Total provisions	**49.1**	**–**	**0.1**	**8.5**	**8.1**	**65.8**

Nature and purpose of provisions

Service warranties	Service warranties provision relate to the estimated warranty claims in respect of products sold which are still under warranty at balance date. These claims are expected to be settled in the next financial year but this may be extended into the following year if claims are made late in the warranty period and are subject to confirmation by suppliers that component parts are defective.
Restoration	A provision for site restoration relates to the Group's estimated present value of costs relating to future site restoration, removal and rehabilitation activities, primarily in the Energy segment.
Restructuring	Restructuring provision relates to WesTrac Australia's redundancy costs recognised in employee benefits expense.
Onerous contracts	Onerous contract provisions are recognised for the Group's obligations under onerous contracts, such as property leases.
Other	Other provisions include amounts that have been provided for in relation to workers' compensation claims, maintenance and repair contracts, legal claims and make good obligations.

16. EMPLOYEE BENEFITS

Accounting policy

Employee benefits

Employee benefits include provisions for annual leave, long service leave and amounts provided for Director retirement benefits. The current provision for long service leave includes all unconditional entitlements where employees have completed the required service period and those where employees are entitled to pro-rata payments in certain circumstances. The majority of the amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next twelve months.

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave due to be settled within 12 months of the reporting date are recognised in provisions in respect of employees services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms of maturity and currency that match, as closely as possible, the estimated future cash outflows.

Superannuation

The Group contributes to a superannuation fund which provides accumulated contribution plans. Contributions are charged against profit or loss in the period to which they relate.

Share based payments

The fair value of options granted under the Company's cash-settled option plan is recognised as an employee benefit expense with a corresponding increase in liability. The expense and the liability incurred are measured at the fair value of the liability.

The fair value at grant date is independently determined using Black-Scholes and Binomial option pricing models that take into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity remeasures the fair value of the options, with any changes in value recognised in the profit or loss as a finance cost.

The fair value of equity-based entitlements settled in equity instruments is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is estimated at grant date and recognised over the period during which the employees become unconditionally entitled to the equity instrument.

The amount recognised as an expense is adjusted to reflect the actual number of entitlements that vest, except where forfeiture is only due to share prices not achieving the threshold for vesting.

	2015 $m	2014 $m
Current		
Annual leave	23.9	26.0
Long service leave	13.4	18.0
Total employee benefits – current	**37.3**	**44.0**
Non-current		
Long service leave	7.1	0.2
Other	0.8	1.2
Total employee benefits – non-current	**7.9**	**1.4**

Superannuation contributions

The Group makes contributions on behalf of employees to a defined contribution superannuation fund. The amount recognised as an expense was $31.7 million (2014: $36.4 million) for the year ended 30 June 2015.

17. CASH AND CASH EQUIVALENTS

Accounting policy

Bank balances includes cash on hand and deposits held at call with financial institutions. Call deposits include other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

	2015 $m	2014 $m
Bank balances	193.0	101.0
Call deposits	97.7	27.3
Total cash and cash equivalents	**290.7**	**128.3**
Cash and cash equivalents in the cash flow statement	**290.7**	**128.3**

18. NOTES TO THE CASH FLOW STATEMENT

	2015 $m	2014 $m
Reconciliation of (loss)/profit for the year to net cash flows related to operating activities:		
(Loss)/profit after tax	**(359.1)**	**262.5**
Depreciation and amortisation:		
Property, plant and equipment	43.5	44.8
Oil and natural gas assets	10.5	–
Intangible assets	8.1	3.3
Share option expense	1.1	0.3
Gain on sale of investments and equity accounted investees	(36.5)	(41.2)
Loss on sale of investments and derivative financial instruments	33.5	–
Impairment of equity accounted investees	99.3	42.2
Impairment of intangible assets	327.0	–
Fair value movement of derivatives	8.5	1.8
Share of results from equity accounted investees	377.4	(103.6)
Dividends received from equity accounted investees	47.0	42.4
Other investment income	(37.9)	(25.7)
Interest income on loans receivable – Nexus Energy Limited (pre-acquisition)	(10.9)	–
Finance fee income – Nexus Energy Limited (pre-acquisition)	(16.3)	–
Other	3.0	–
Movement in:		
Trade and other receivables	117.9	152.6
Inventories	(72.6)	192.4
Other assets	(1.3)	(23.7)
Trade and other payables/deferred income	39.0	(163.6)
Provisions	(14.1)	(28.5)
Tax balances	(280.0)	(111.1)
Net operating cash flows	**287.1**	**244.9**

19. INTEREST BEARING LOANS AND BORROWINGS

Accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw down of the facility, are recognised on a net basis against borrowings and amortised on a straight line basis over the term of the facility.

Borrowings are derecognised from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or any liabilities assumed, is recognised in other income or expenses.

19. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date.

	2015 $m	2014 $m
Current		
Interest bearing liabilities	32.8	33.8
Non-interest bearing liabilities	40.0	–
Finance lease liabilities	6.4	2.3
Total interest bearing loans and borrowings – current	**79.2**	**36.1**
Non-current		
Interest bearing liabilities	832.2	565.7
Fixed term US dollar notes	725.9	600.8
Less: capitalised borrowing costs net of accumulated amortisation	(5.6)	(5.0)
Finance lease liabilities	3.6	0.1
Total interest bearing loans and borrowings – non-current	**1,556.1**	**1,161.6**

The current interest bearing liabilities of $32.8 million (2014: $33.8 million) relate to the Group's working capital facilities. These liabilities are drawn from rolling short dated facilities within Australia of $262.1 million (2014: $256.0 million) and China $196.3 million (2014: $193.2 million) and are generally reviewed annually. Of the amount drawn within Australia, nil (2014: $5.1 million) is secured against inventory and receivables with the remaining balance being unsecured. The balance drawn from facilities located in China is unsecured.

At 30 June 2015, the Group had available undrawn borrowing facilities of $966.5 million (2014: $1,075.4 million) and also had access to unutilised short dated lines of credit totalling $205.4 million (2014: $141.3 million).

In February 2015, the Group refinanced its corporate syndicated loan facility. The facility has increased to $900.0 million (2014: $750.0 million), with a four year duration and an option to extend.

The Group's interest bearing liabilities had a weighted average interest rate of 7.74% (2014: 7.92%) for the year ended 30 June 2015 including margins and unused line fees.

Lease liabilities are effectively secured as the rights to the assets revert to the financier in the event of default.

Details of the fair values of each of the borrowings as well as the Group's exposure to interest rate, foreign currency and liquidity risk related to interest bearing loans and borrowings is disclosed in Note 20: Financial Risk Management.

Fixed term US dollar notes

The US Private Placement notes are unsecured and are hedged by a combination of forward foreign exchange and cross currency swaps. The Group has issued notes denominated in US currency of USD $520.0 million (2014: USD $520.0 million).
Series E (2011) USD $50.0 million was issued and is repayable in AUD. Interest is payable half yearly in arrears.

The amount and maturity of the notes, including the effective hedge position, is summarised below.

Notes	Agreement	2015 Amount USD $m	2015 Spot amount AUD $m	2014 Amount USD $m	2014 Spot amount AUD $m	Hedged amount AUD $m	Interest rate (incl. margin) %	Maturity date
Series B	2006	75.0	97.7	75.0	79.6	108.8	7.48%	23 Aug 16
Series C	2006	55.0	71.6	55.0	58.4	80.3	7.50%	23 Aug 18
Series D	2006	30.0	39.1	30.0	31.8	43.9	7.53%	23 Aug 20
Series E	2006	85.0	110.6	85.0	90.2	125.2	7.56%	23 Aug 21
Series A	2011	45.0	58.6	45.0	47.8	43.8	4.60%	7 Jun 23
Series B	2011	55.0	71.6	55.0	58.4	53.6	4.75%	7 Jul 23
Series C	2011	75.0	97.7	75.0	79.6	73.1	4.42%	7 Jun 26
Series D	2011	100.0	130.2	100.0	106.2	97.4	4.36%	7 Jul 26
Series E	2011	50.0	48.8	50.0	48.8	48.8	7.96%	7 Jul 41
		570.0	**725.9**	**570.0**	**600.8**	**674.9**		

20. FINANCIAL RISK MANAGEMENT

Overview

Risk management policies are established to identify and demonstrate that the Group understands and manages risk and seeks to ensure that there is consistency to the methods used in assessing, monitoring and communicating risks and that risk management efforts are aligned with the Group's strategic and business objectives.

The Group has exposure to the following risks through the normal course of its operations and from its use of financial instruments:

(a) Market risk
(b) Liquidity risk
(c) Credit risk

The following presents information, both qualitative and quantitative, about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Board has established a sound system of risk oversight and management and internal control which includes the establishment of the Audit & Risk Committee. The Committee has been constituted with the function of assisting the Board to ensure that its corporate governance and oversight responsibilities are fulfilled in relation to risk management and compliance with applicable laws and regulations.

The Audit & Risk Committee is responsible for reviewing, evaluating and making recommendations to the Board in relation to:

- assessing the risk management, compliance and control environment as it relates to the external and internal audit plans;
- overseeing financial reporting; and
- evaluating internal and external audit.

At the reporting date the Group held the following financial instruments:

	Note	2015 $m	2014 $m
Financial assets			
Cash and cash equivalents	17	290.7	128.3
Trade and other receivables	8	452.1	599.0
Loans receivable	21	–	129.2
Listed equity securities (available-for-sale)	21	1,097.6	915.6
Convertible preference shares – Seven West Media Limited	21	–	302.2
Unlisted equity securities	21	43.3	14.7
Derivative financial instruments	22	144.6	61.8
Total financial assets		**2,028.3**	**2,150.8**
Financial liabilities			
Trade and other payables (excluding accruals)	9	367.8	313.7
Interest bearing loans and borrowings	19	1,635.3	1,197.7
Derivative financial instruments	22	41.2	91.4
Total financial liabilities		**2,044.3**	**1,602.8**

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk

The Group is exposed to market risk through foreign exchange, interest rate, equity price and commodity price risk.

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group's foreign exchange risk arises primarily from:

- borrowings denominated in a foreign currency; and
- firm commitments of highly probable forecast transactions for receipts and payments settled in foreign currency.

The Group is exposed to fluctuations in foreign currency, predominantly in United States Dollar (USD), Hong Kong Dollar (HKD) and Indonesian Rupiah (IDR).

The Group will seek to minimise exposure to foreign exchange risk by initially seeking contracts effectively denominated in AUD where possible. Where this is not possible the Group will manage foreign exchange risk as follows:

- in certain circumstances the Group invoices customers in USD. Where the Group invoices in USD it may seek to match the USD receipt with USD denominated vendor payments. As a result, an economic hedge is created by minimising exposure to changes in the AUD/USD exchange rate. Payments and receipts are made from and to the Group's USD denominated bank account.
- external forward contracts and options are used to manage foreign exchange risk. Contracts are entered into on a transaction by transaction basis to hedge specific purchases, sales and borrowings.

The Group's foreign exchange risk from recognised assets and liabilities arises primarily from WesTrac's long-term USD denominated borrowings (refer to Note 19: Interest Bearing Loans and Borrowings). The Group effectively hedges its long-term foreign denominated borrowings using a combination of designated forward exchange contracts and cross currency swaps.

The financial statements for foreign group companies that have a functional currency different from Australian Dollars are translated into Australian Dollars on consolidation in accordance with Note 1(C): Foreign Currency Translation. Exchange differences arising from the translation are taken to reserves and as such the individual account balances of these Group companies are excluded from the table below.

Excluding assets and liabilities for foreign group entities translated in accordance with Note 1, the Group's exposure to foreign currency risk was as follows, based on notional amounts:

	USD M	HKD M	IDR M
As at 30 June 2015			
Cash and cash equivalents	84.0	666.1	29.2
Trade and other receivables	50.9	–	–
Trade and other payables	(49.3)	–	–
Borrowings	(520.0)	–	–
Derivative financial instruments	92.3	–	–
Closing exchange rates[(a)]	0.7680	5.9536	10,228
As at 30 June 2014			
Cash and cash equivalents	14.8	–	70.5
Trade and other receivables	32.3	–	–
Trade and other payables	(43.2)	–	–
Borrowings	(520.0)	–	–
Derivative financial instruments	(19.6)	–	–
Closing exchange rates[(a)]	0.9420	7.3013	11,177

(a) closing exchange rates at 30 June as reported by the Reserve Bank of Australia at 4pm (AEST).

Sensitivity analysis

As at 30 June 2015 the closing AUD/USD exchange rate, as reported by the Reserve Bank of Australia at 4pm (AEST) was 0.7680 (2014: 0.9420). A foreign currency sensitivity of +/- 10% has been selected and is considered reasonable given the historical AUD/USD exchange rates prevailing in the year ended 30 June 2015. During this period the average AUD/USD exchange rate was 0.8382 (2014: 0.9188) and traded within a range of 0.7590 and 0.9458 (2014: 0.8716 and 0.9672).

At 30 June 2015, had the AUD/USD exchange rate moved by 10%, with all other variables held constant, post tax profit/(loss) and equity would have been affected as illustrated in the table below:

	2015 Profit/(loss) $m	2015 Equity $m	2014 Profit/(loss) $m	2014 Equity $m
Judgement of reasonably possible movements[a]				
AUD to USD +10%	(16.4)	(1.0)	–	(0.9)
AUD to USD -10%	20.0	11.0	–	1.9

(a) includes HKD cash balances due to high correlation between USD and HKD.

Adverse versus favourable movements are determined relative to the net underlying exposure. An adverse movement in exchange rates implies an increase in the Group's foreign currency exposure leading to deterioration in the Group's financial position. A favourable movement in exchange rates implies a decrease in the Group's foreign currency exposure and an improvement in the Group's financial position.

The Group's exposure to other foreign exchange movements is not material.

(ii) Interest rate risk

The Group's exposure to interest rate risk arises from cash deposits and short to medium term borrowings which are at variable interest rates in AUD, USD, HKD and RMB. Generally, long-term fixed rate borrowings are obtained in the USA and Australia, while shorter term variable borrowings are denominated in local Australian and Chinese currencies and expose the Group to interest rate risk. The Group manages this risk by using derivative financial instruments including interest rate swaps to fix interest rate exposure.

As at 30 June 2015, 66% (2014: 79%) of the Group's total borrowings were subject to fixed interest rates or were effectively hedged with derivative financial instruments.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian, United States, Hong Kong and Chinese variable interest rate risk:

	2015 $m	2014 $m
Financial assets		
Cash and cash equivalents	193.0	103.4
	193.0	**103.4**
Financial liabilities		
Interest bearing liabilities	(557.7)	(225.4)
	(557.7)	**(225.4)**

The following table shows the annualised impact on profit or loss and equity of interest bearing assets and liabilities if floating interest rates at balance date had been 1% (100 basis points) higher or lower for the year, with all other variables held constant.

	2015 Profit/(loss) $m	2015 Equity $m	2014 Profit/(loss) $m	2014 Equity $m
If interest rates were 1% (100 basis points) higher with all other variables held constant – increase/(decrease)	(2.6)	(2.6)	(0.9)	(0.9)
If interest rates were 1% (100 basis points) lower with all other variables held constant – increase/(decrease)	2.6	2.6	0.9	0.9

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(iii) Equity price risk

Equity price risk refers to the risk that the value of a financial instrument or its associated cash flows will fluctuate due to changes in the underlying share prices.

The Group has exposure to equity price risk arising from its portfolio of listed equity securities and derivatives.

The Group may also be exposed to equity price risk through its holdings of listed investments accounted for using the equity method and as part of the Group's impairment assessment process.

The following table shows the impact on the profit or loss and equity of the Group if equity prices at balance date had been 15% higher or lower, with all other variables held constant. A sensitivity of 15% is considered reasonable given the current level of prices and the volatility observed both on a historical basis and market expectations for future movement.

	2015 Profit/(loss) $m	2015 Equity $m	2014 Profit/(loss) $m	2014 Equity $m
If share prices were 15% higher with all other variables constant – increase/(decrease)	18.7	98.4	5.3	96.1
If share prices were 15% lower with all other variables constant – increase/(decrease)	(19.3)	(98.4)	(5.3)	(96.1)

The allocation between profit or loss and equity is subject to impairment testing. The above sensitivity analysis assumes the investments are not impaired.

(iv) Commodity price risk

The Group has an interest in oil and gas assets located in Australia and the United States of America. These investments expose the Group to commodity price risk from fluctuations in the prices of oil, natural gas and other condensates and natural gas liquids (NGLs). As the Group's oil and gas assets, with the exception of Bivins Ranch are largely non-operated, the Group's current exposure to commodity price risk is immaterial and accordingly the Group does not hedge its exposure to commodity price risk.

(b) Liquidity risk

Liquidity risk refers to the risk that the Group is unable to meet its financial commitments as and when they fall due.

The Group employs a prudent liquidity risk management approach. This involves maintaining a large amount of liquid reserves (cash deposits, listed shares and available credit lines) that can be drawn or sold at short notice to meet the Group's financial commitments. Management monitors the Group's ongoing cash flow requirements on a daily basis. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping credit lines available.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the reporting date:

	2015 $m	2014 $m
Floating rate		
Expiring within one year	426.5	404.7
Expiring beyond one year	540.0	670.7
	966.5	**1,075.4**

At 30 June 2015, the Group also has additional liquidity available in the form of cash of $290.7 million (2014: $128.3 million), available-for-sale listed shares of $1,097.6 million (2014: $915.6 million) and access to unutilised, short dated lines of other credit totalling $205.4 million (2014: $141.3 million).

Subject to continued compliance with facility terms, the facilities may be drawn at any time. The average maturity for drawn facilities is 5.1 years (2014: 6.1 years) and 2.1 years (2014: 1.2 years) for undrawn facilities.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities (including derivative financial instruments) into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Gross cash flows include principal and coupon payments at contracted rates.

The amounts disclosed in the table are the contracted undiscounted cash flows.

	Within 1 year $m	Between 1 and 2 years $m	Between 2 and 5 years $m	Over 5 years $m	Total contractual cash flows $m	Carrying amount $m
Year ended 30 June 2015						
Trade and other payables (excluding accruals)	367.8	–	–	–	367.8	367.8
Borrowings – variable rate						
– principal (including derivative)	31.9	2.2	370.0	267.9	672.0	415.6
– coupon interest and derivative	19.7	19.7	54.9	16.6	110.9	–
Borrowings – fixed rate						
– principal (including derivative)	46.4	110.1	585.3	174.0	915.8	1,101.3
– coupon interest and derivative	61.6	54.5	75.4	137.7	329.2	3.2
	527.4	**186.5**	**1,085.6**	**596.2**	**2,395.7**	**1,887.9**
Year ended 30 June 2014						
Trade and other payables (excluding accruals)	313.7	–	–	–	313.7	313.7
Borrowings – variable rate						
– principal (including derivative)	33.1	103.0	–	67.9	204.0	225.4
– coupon interest and derivative	12.5	10.2	9.3	21.7	53.7	–
Borrowings – fixed rate						
– principal (including derivative)	2.3	–	650.1	417.9	1,070.3	972.3
– coupon interest and derivative	71.8	102.0	87.3	165.8	426.9	88.4
	433.4	**215.2**	**746.7**	**673.3**	**2,068.6**	**1,599.8**

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables, cash and cash equivalents and investment securities.

The Group's maximum exposure to credit risk at the reporting date was:

	Note	2015 $m	2014 $m
Listed equity securities (available-for-sale)	21	1,097.6	915.6
Convertible preference shares – Seven West Media Limited	21	–	302.2
Unlisted equity securities	21	43.3	14.7
Loans receivable	21	–	129.2
Trade and other receivables	8	452.1	599.0
Cash and cash equivalents	17	290.7	128.3
Derivative financial instruments	22	144.6	61.8
		2,028.3	**2,150.8**

In certain circumstances the Group enters into guarantees as part of ordinary trading operations. These guarantees are included within financial guarantees in Note 25: Contingent Liabilities.

(d) Fair value measurements

Financial instruments measured at fair value

The fair value of financial instruments traded in active markets (such as available-for-sale securities) are based on quoted market prices at the reporting date. The quoted market prices used for financial assets held by the Group are the closing bid prices for the assets.

The fair value of forward foreign exchange contracts are determined using quoted forward exchange rates at the reporting date.

The fair value of interest rate swaps and cross currency interest rate swaps are calculated using the present value of the estimated future cash flows of these instruments.

The fair value of equity derivatives are calculated based on the closing bid price of the underlying equities.

Financial instruments not measured at fair value

The interest rates used to discount estimated cash flows relating to the fixed term US dollar notes were 1.9% to 6.2% (2014: 1.9% to 6.8%) and are based on the government yield curve at the reporting date plus an adequate credit spread.

The interest rate used to discount estimated cash flows relating to other borrowings was 5.2% (2014: 7.2%).

In the prior year, the fair value of convertible preference shares held in Seven West Media Limited was determined using standard bond pricing calculations taking into account the 7.143% accretion in redemption value over five years and 9% market yield for comparable instruments.

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – fair value is estimated using quoted prices in active markets

Level 2 – fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices)

Level 3 – fair value is estimated using inputs for the asset or liability that are not based on observable market data

	Note	Level in fair value hierarchy	2015 Carrying amount $m	2015 Fair value $m	2014 Carrying amount $m	2014 Fair value $m
Financial assets measured at fair value						
Available-for-sale financial assets	21	1	1,097.6	1,097.6	915.6	915.6
Unlisted equity securities	21	3	43.3	43.3	14.7	14.7
Forward foreign exchange contracts – used for hedging	22	2	2.5	2.5	0.7	0.7
Cross currency swaps – used for hedging	22	2	142.1	142.1	61.1	61.1
			1,285.5	**1,285.5**	**992.1**	**992.1**
Financial assets not measured at fair value						
Cash and cash equivalents	17	–	290.7	290.7	128.3	128.3
Trade and other receivables	8	–	452.1	452.1	599.0	599.0
Convertible preference shares – Seven West Media Limited	21	2	–	–	302.2	302.2
Loans receivable	21	2	–	–	129.2	135.6
			742.8	**742.8**	**1,158.7**	**1,165.1**
Financial liabilities measured at fair value						
Forward foreign exchange contracts – used for hedging	22	2	27.2	27.2	79.6	79.6
Interest rate swaps – used for hedging	22	2	6.6	6.6	8.8	8.8
Equity derivatives	22	2	7.4	7.4	3.0	3.0
			41.2	**41.2**	**91.4**	**91.4**
Financial liabilities not measured at fair value						
Trade and other payables (excluding accruals)	9	–	367.8	367.8	313.7	313.7
Fixed term US dollar notes	19	2	725.9	777.5	600.8	654.2
Other borrowings	19	2	909.4	910.1	596.8	603.4
			2,003.1	**2,055.4**	**1,511.3**	**1,571.3**

There were no transfers between the fair value hierarchy levels during the year ended 30 June 2015.

Valuation techniques – Level 3 (unlisted equity securities)

Unlisted equity securities comprise of the Group's investment in an unlisted investment fund (investment fund). Whilst the investment fund invests in both foreign listed and unlisted equity securities, the investment is not quoted in an active market and accordingly the fair value of this investment is included within Level 3 of the hierarchy. Audited information is obtained from the investment fund regarding the fair value of the investment. The Group recognises any movement in the fair value of the investment in equity through the fair value reserve. The methodology followed by the investment fund in fair valuing its underlying investments is outlined below.

The investment fund uses a market based valuation technique and the discounted cash flow (DCF) method to calculate the fair value of its underlying positions. Under the market based method, the investment fund's manager determines comparable public companies (peers) based on industry size, leverage and strategy and calculates an appropriate trading multiple for each comparable company identified. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the investee company to measure the fair value.

Under the DCF method, the investment's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the investment's life including estimated income and terminal value. This involves the projection of a series of cash flows and to this an appropriate, market derived discount rate is applied to establish the present value of the income stream.

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Valuation process – Level 3 (unlisted equity securities)

The valuation of unlisted equity is performed on a quarterly basis by the investment fund's manager and reviewed by their investment committee. The valuations are also subject to quality assurance procedures performed within the investment fund. The investment fund manager verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to relevant documents and market information. In addition, the accuracy of the computation is tested. The latest valuation is also compared with the valuations in the four preceding quarters as well as with the valuations of the two preceding annual periods. If fair value changes (positive or negative) are more than certain thresholds set, the changes are further considered by the fund's investment committee.

The fund's investment committee considers the appropriateness of the valuation methods and inputs, and may request that alternate valuation methods are applied to support the valuations arising from the method chosen. Any changes in valuation methods are discussed and agreed with the investment partners.

The investment fund presents the valuation results on a quarterly basis to the Group. The report includes a discussion of the major assumptions used in the valuations, with an emphasis on the more significant investments and investments with fair value changes outside of the relevant thresholds set out below. The Group's investment committee regularly reviews this information and assesses the performance of the Group's investment.

Quantitative information on significant unobservable inputs - Level 3

Description	Valuation technique	Unobservable input	Range
Unlisted equity investments	P/E multiple	Average P/E multiple of peers	26.1x
		Discount for lack of liquidity	25%
	EV/sales multiple	Average EV/sales multiple of peers	1.0x-5.6x
		Discount for lack of liquidity	15%-25%
	DCF	Discount rate	20%
		Terminal growth rate	2%
		Discount for lack of liquidity	15%
	Recent transactions	–	–

Reconciliation - Level 3

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3.

	2015 $m	2014 $m
Balance at the beginning of the year	14.7	–
Contributions, net of capital returns	19.3	16.9
Fair value gains/(losses)	9.3	(2.2)
Balance at the end of the year	**43.3**	**14.7**

(e) Master netting or similar arrangements

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances, e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not have any currently legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

	Financial instruments in the statement of financial position $m	Related financial instruments that are not offset $m	Net amount $m
Year ended 30 June 2015			
Financial assets			
Forward foreign exchange contracts – used for hedging	2.5	2.5	–
Cross currency swaps – used for hedging	142.1	25.2	116.9
	144.6	**27.7**	**116.9**
Financial liabilities			
Forward foreign exchange contracts – used for hedging	27.2	21.1	6.1
Interest rate swaps – used for hedging	6.6	6.6	–
Equity derivatives	7.4	–	7.4
	41.2	**27.7**	**13.5**
Year ended 30 June 2014			
Financial assets			
Forward foreign exchange contracts – used for hedging	0.7	0.6	0.1
Cross currency swaps – used for hedging	61.1	22.2	38.9
	61.8	**22.8**	**39.0**
Financial liabilities			
Forward foreign exchange contracts – used for hedging	79.6	14.0	65.6
Interest rate swaps – used for hedging	8.8	8.8	–
Equity derivatives	3.0	–	3.0
	91.4	**22.8**	**68.6**

(f) Capital management

The Group manages its capital to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure while maximising shareholder value. As such, the Board regularly reviews the Group's capital structure in order to take advantage of favourable costs of capital and returns on assets.

The Company maintains a diversified capital base with a mixture of equity and debt funding. Equity funding comprises both ordinary shares and preference shares (TELYS4).

The Group's dividend policy is to distribute cash from operating activities after financing costs, subject to the retention of adequate cash reserves to capitalise on investment opportunities. Dividends are franked to the greatest extent possible. Refer to Note 24: Dividends for details of dividends paid and proposed but not provided for during the current year.

21. OTHER FINANCIAL ASSETS

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans receivable, held to maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

Management determines the classification of its investments at initial recognition and, in the case of assets classified as held to maturity, re-evaluates this designation at each reporting date.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either financial assets held for trading which are acquired principally for the purpose of selling with the intention of making a profit or financial assets that are managed and have their performance regularly evaluated by management and the directors on a fair value basis. Derivatives are also categorised as held for trading unless they are designated as hedges.

Listed equity securities

Available-for-sale financial assets, principally comprising marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment.

Recognition and de-recognition

Regular purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

21. OTHER FINANCIAL ASSETS (CONTINUED)

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income and presented in the fair value reserve are recycled to profit or loss as gains and losses from investment securities.

Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. The fair values of available-for-sale financial assets are determined by reference to their quoted market prices at balance date. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category, are presented in the profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets is recognised in the profit or loss as other income.

Gains or losses arising from changes in the value of available-for-sale financial assets category are taken to the fair value reserve. Amounts are recognised in profit or loss when the associated assets are sold or impaired.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, industry factors or a significant or prolonged decline in the fair value of a security below its cost is considered objective evidence of impairment. The Group considers a decline of 30 per cent to be significant and a period of 12 months to be prolonged. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from the fair value reserve in equity and recognised in the profit or loss. Impairment losses recognised in the profit or loss on equity instruments classified as available-for-sale are not reversed through the profit or loss but are recognised in other comprehensive income and presented in the fair value reserve.

Other financial assets

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and available-for-sale investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying value of these instruments. The Group mitigates this risk by only dealing with counterparties that meet a defined credit criteria and also by managing specific credit limits on all counterparties.

	2015 $m	2014 $m
Current		
Loans receivable	–	129.2
Total other financial assets – current	**–**	**129.2**
Non-current		
Listed equity securities (available-for-sale)	1,097.6	915.6
Convertible preference shares – Seven West Media Limited	–	302.2
Unlisted equity securities	43.3	14.7
Total other financial assets – non-current	**1,140.9**	**1,232.5**

Loans receivable

Loans receivable in the prior year relate to the senior debt and subordinated notes of Nexus Energy Limited (Nexus). These notes were extinguished upon acquisition of Nexus on 31 December 2014.

Listed equity securities

The carrying amounts of listed equity securities are determined based on their market price at 30 June 2015. Any impairment amounts are disclosed separately unless they are not materially significant. During the year, the Group impaired the carrying value of listed equity securities by $26.4 million (2014: nil). Although the decline in the share price of the investment was not significant or prolonged, management considered other contributing factors and determined that an impairment loss should be recognised in the profit or loss.

Convertible preference shares — Seven West Media Limited

On 4 June 2015, the Company exercised its conversion rights over the convertible preference shares in Seven West Media Limited. Upon conversion, the Company was issued with 265,749,570 ordinary shares in Seven West Media Limited, resulting in an increase in the ownership percentage to 40.9%.

Unlisted equity securities

Unlisted equity securities comprise of the Group's investments in unlisted investment funds.

22. DERIVATIVE FINANCIAL INSTRUMENTS

Accounting policy

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the relating to the ineffective portion is recognised in profit or loss within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Amounts accumulated in other comprehensive income are recycled in profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance costs. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within sales. However, when the forecast transaction that is hedged results in the recognition of a non financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as a cost of goods sold in the case of inventory, or as depreciation in the case of property, plant and equipment.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

22. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Accounting policy (continued)

	2015 $m	2014 $m
Current assets		
Forward foreign exchange contracts – cash flow hedges	2.5	0.7
Non-current assets		
Cross currency swaps – cash flow hedges	142.1	61.1
Current liabilities		
Forward foreign exchange contracts and cross currency swaps – cash flow hedges	(4.6)	(5.0)
Other derivatives	(7.4)	(3.0)
	(12.0)	(8.0)
Non-current liabilities		
Forward foreign exchange contracts and cross currency swaps – cash flow hedges	(22.6)	(74.6)
Interest rate swaps – cash flow hedges	(6.6)	(8.8)
	(29.2)	(83.4)
Net derivative financial instruments	**103.4**	**(29.6)**

The Group is a party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates, foreign exchange rates and equity prices in accordance with the Group's financial risk management policies. Refer to Note 20: Financial Risk Management.

Interest rate swaps

The Group's policy is to hedge a portion of its interest bearing liabilities from exposure to changes in interest rates.

The gain or loss from remeasuring the hedging instruments to fair value is deferred in equity in the hedge reserve and reclassified into profit or loss when the hedged interest expense is recognised. To the extent that the hedge is ineffective or undesignated, the fair value movement is recognised in profit or loss.

Forward foreign exchange contracts

The Group enters into forward foreign currency exchange contracts to hedge a portion of the USD denominated debt in conjunction with cross currency swaps. The Group has obligations to repay the principal amount of USD denominated debt and interest thereon. 100% of USD denominated debt and coupon obligations are hedged with foreign exchange derivatives.

The Group from time to time also enters into forward foreign exchange contracts to hedge certain known trading commitments predominantly denominated in US Dollars. The terms of these commitments are generally shorter than one year.

Cross currency swaps

The Group has obligations to repay the principal and interest relating to USD denominated debt. The Group enters into cross currency swap contracts to hedge a portion of these obligations.

Other derivatives

Other derivatives comprise equity derivatives. The Group enters into equity derivatives from time to time to hedge the value of listed investments or to gain exposure to certain market sectors.

23. CAPITAL AND RESERVES

Capital

Accounting policy

Contributed equity

Ordinary shares, redeemable preference shares, non-share equity and other equity securities are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in other comprehensive income and presented as contributed equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs is recognised as a deduction from equity.

Transferable Extendable Listed Yield Shares (TELYS4)

TELYS4 have been classified as equity and the dividend payable on the TELYS4 is treated as a distribution of shareholders equity.

Treasury shares

Treasury shares consist of shares held in trust for the Group's executives in relation to employee equity benefits.

	2015 $m	2014 $m
Contributed equity		
296,181,800 ordinary shares, fully paid (2014: 302,691,886)	2,118.1	2,159.0
4,963,640 TELYS4 preference shares, fully paid (2014: 4,963,640)	427.2	427.2
116,316 treasury shares, fully paid (2014: nil)	(0.7)	–
Balance at end of the year	**2,544.6**	**2,586.2**
Movements in ordinary shares		
Balance at beginning of year	2,159.0	2,203.1
On-market share buy-back and cancelation of shares – 23 March 2015 to 30 June 2015 (78,481 shares)	(0.6)	–
On-market share buy-back and cancelation of shares – 1 July 2014 to 9 December 2014 (6,431,605 shares)	(40.3)	–
On-market share buy-back and cancelation of shares – 13 January 2014 to 30 June 2014 (5,468,395 shares)	–	(44.1)
Balance at end of the year	**2,118.1**	**2,159.0**
Movements in preference shares – TELYS4		
Balance at beginning of year	427.2	427.2
Balance at end of the year	**427.2**	**427.2**
Movements in treasury shares		
Balance at beginning of year	–	–
On-market share acquisition – 27 November 2014 (116,316 shares)	(0.7)	–
Balance at end of the year	**(0.7)**	**–**

23. CAPITAL AND RESERVES (CONTINUED)

Capital (continued)

The Company does not have authorised share capital or par value in respect of its issued shares. All issued shares are fully paid.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after creditors and preference shareholders and are fully entitled to any proceeds on liquidation.

The Company completed the on-market share buy-back on 9 December 2014 as the target of 11.9 million of the Company's shares had been acquired and subsequently cancelled. A further share buy-back was announced on 25 February 2015, with a target of 17.7 million shares, being approximately 5.97 per cent of the Company's ordinary shares. At 30 June 2015, 78,481 shares had been acquired on-market and subsequently cancelled.

TELYS4 were issued on 13 May 2010 under the TELYS4 Offer Prospectus on a one for one exchange for all TELYS3 previously issued by Seven Network Limited. Holders are entitled to a preferential non-cumulative floating rate dividend, which is based on Bank Bill Swap Rate for 180 days plus Margin. The Margin is set at 4.75% subject to the Company's right of Conversion and Exchange. There are no voting rights attached except in limited circumstances, in which case holders will have one vote per TELYS4 held.

During the year ended 30 June 2015, there were nil options exercised, cancelled or forfeited (2014: 500,000 options exercised, 2,000,000 options cancelled and 1,000,000 options forfeited).

Reserves

NATURE AND PURPOSE OF RESERVES	
Acquisitions reserve	The acquisitions reserve is used to record the difference between the fair value of consideration paid for the non-controlling interest of subsidiaries, and the book value of those subsidiaries' share of net assets at date of acquisition.
Employee equity benefits reserve	The employee equity benefits reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration.
Common control reserve	The acquisition of WesTrac Group by the Company during the period ended 30 June 2010 was accounted for as a common control transaction. As a consequence, the difference between the fair value of the consideration paid and the existing book values of assets and liabilities of the WesTrac Group was debited to a common control reserve. Upon disposal of all interests in WesTrac Group by the Group this reserve would be transferred to retained earnings.
Cash flow hedge reserve	The cash flow hedge reserve records the effective portion of the cumulative net change in fair value of hedging instruments related to cash flow hedged transactions that have not yet occurred.
Fair value reserve	The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.
Foreign currency translation reserve	The foreign currency translation reserve records the foreign currency differences arising from the translation of the financial statements of foreign operations.

Reserves (continued)

	Acquisitions reserve $m	Employee equity benefits reserve $m	Common control reserve $m	Cash flow hedge reserve $m	Fair value reserve $m	Foreign currency translation reserve $m	Total $m
Year ended 30 June 2015							
As at 1 July 2014	**(63.5)**	**7.6**	**(642.6)**	**(1.9)**	**158.9**	**(16.2)**	**(557.7)**
Fair value movement on available-for-sale financial assets	–	–	–	–	77.2	–	77.2
Tax effect of net gain on available-for-sale financial assets	–	–	–	–	(19.7)	–	(19.7)
Net gain on cash flow hedges	–	–	–	17.7	–	–	17.7
Tax effect of net gain on cash flow hedges	–	–	–	(5.4)	–	–	(5.4)
Movement in reserves of equity accounted investees	–	(3.9)	–	(0.8)	–	2.5	(2.2)
Currency translation differences	–	–	–	–	–	145.3	145.3
Share-based payments	–	0.6	–	–	–	–	0.6
As at 30 June 2015	**(63.5)**	**4.3**	**(642.6)**	**9.6**	**216.4**	**131.6**	**(344.2)**
Year ended 30 June 2014							
As at 1 July 2013	**(63.5)**	**11.2**	**(642.6)**	**(16.5)**	**122.6**	**(8.6)**	**(597.4)**
Fair value movement on available-for-sale financial assets	–	–	–	–	55.2	–	55.2
Tax effect of net gain on available-for-sale financial assets	–	–	–	–	(18.9)	–	(18.9)
Net gain on cash flow hedges	–	–	–	17.3	–	–	17.3
Tax effect of net gain on cash flow hedges	–	–	–	(5.1)	–	–	(5.1)
Movement in reserves of equity accounted investees	–	(1.1)	–	2.4	–	3.9	5.2
Currency translation differences	–	–	–	–	–	(11.5)	(11.5)
Share-based payments	–	0.3	–	–	–	–	0.3
Share-based payment options settled	–	(2.8)	–	–	–	–	(2.8)
As at 30 June 2014	**(63.5)**	**7.6**	**(642.6)**	**(1.9)**	**158.9**	**(16.2)**	**(557.7)**

24. DIVIDENDS

	Date of payment	Franked / unfranked	Amount per share	Total $m
Year ended 30 June 2015				
Dividends paid				
Ordinary shares				
Final dividend in respect of 2014 year	13 Oct 14	Franked	$0.20	60.5
Interim dividend	10 Apr 15	Franked	$0.20	59.2
				119.7
Transferable Extendable Listed Yield Shares (TELYS4)				
Dividend	1 Dec 14	Franked	$2.62	13.0
Dividend	1 Jun 15	Franked	$2.64	13.1
				26.1
Subsequent event				
Current period final dividend on ordinary shares proposed but not provided for				
Final dividend in respect of 2015 year		Franked	$0.20	59.2
Balance of franking account at 30%				170.5
Year ended 30 June 2014				
Dividends paid				
Ordinary shares				
Final dividend in respect of 2013 year	11 Oct 13	Franked	$0.20	61.6
Interim dividend	11 Apr 14	Franked	$0.20	61.5
				123.1
Transferable Extendable Listed Yield Shares (TELYS4)				
Dividend	2 Dec 13	Franked	$2.81	13.1
Dividend	2 Jun 14	Franked	$2.79	12.7
				25.8
Ordinary shares				
Final dividend in respect of 2014 year	13 Oct 14	Franked	$0.20	60.5
Balance of franking account at 30%				225.9

The above amount represents the balance of the dividend franking account as at the reporting date, adjusted for:

(a) franking credits/debits that will arise from the payment/refund of current tax liabilities;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;

(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the reporting date; and

(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by $25.4 million (2014: $25.9 million).

25. CONTINGENT LIABILITIES

	2015 $m	2014 $m
Performance guarantees	174.2	35.5
Financial guarantees	53.1	196.4
Total contingent liabilities	**227.3**	**231.9**

Performance guarantees

Performance guarantees relate to guarantees provided to customers in support of equipment and contract performance.

Financial guarantees

The Group has issued a number of financial guarantees to third parties for various operational and financing purposes. To the extent that the Directors expect these third party guarantees to be called upon, a provision has been recorded in the consolidated statement of financial position as at 30 June 2015.

The Group has entered into a number of financial guarantees in relation to subsidiary debt facilities and other financing arrangements. The drawn amount of these facilities are recorded as interest bearing liabilities in the consolidated statement of financial position and disclosed in Note 19: Interest Bearing Loans and Borrowings.

The nature of the Group's and equity accounted investees' activities are such that, from time to time, claims are received or made by the Group. The Directors are of the opinion that no claims are expected to have a material adverse effect on the financial statements of the Group and as such do not require disclosure as a contingent liability.

26. COMMITMENTS

	2015 $m	2014 $m
Capital expenditure commitments		
Payable:		
Not later than one year	25.8	1.4
Finance lease commitments		
Payable:		
Not later than one year	6.3	2.3
Later than one year but not later than five years	1.3	0.1
Minimum lease payments[(a)]	**7.6**	**2.4**
Less future finance charges	–	–
	7.6	**2.4**
Operating lease commitments[(b)]		
Payable:		
Not later than one year	58.2	64.0
Later than one year but not later than five years	187.2	191.2
Later than five years	72.7	112.2
	318.1	**367.4**
Exploration expenditure commitments[(c)]		
Payable:		
Not later than one year	102.8	–
Later than one year but not later than five years	3.8	–
	106.6	**–**
The above commitments include exploration expenditure commitments relating to joint venture operations in relation to AC/RL9:		
Not later than one year	42.8	–
Later than one year but not later than five years	3.8	–
	46.6	**–**
Other commitments[(d)]		
Payable:		
Not later than one year	26.4	40.1

(a) minimum future lease payments include the aggregate of all lease payments and any guaranteed residual value.

(b) the Group leases various offices and sites under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

(c) Exploration expenditure commitments relate to work commitments pursuant to the award of petroleum exploration permits VIC/P54, WA377P, and AC/RL9. Estimates for future exploration expenditure commitments are based on estimated well and seismic costs which will change as actual drilling location and seismic surveys are organised and are determined in current dollars on an undiscounted basis. The exploration and evaluation obligations may vary significantly as a result of renegotiations with relevant parties.

(d) other commitments relates to the Group's commitment to invest in an unlisted investment fund.

27. EVENTS SUBSEQUENT TO BALANCE DATE

Other than as outlined below, there has not arisen in the interval between 30 June 2015 and the date of this Report any other event that would have had a material effect on the Financial Statements as at 30 June 2015.

Auriga well

Subsequent to year end, the Auriga well within the Crux permit was drilled, targeting the Montara, Plover and Nome reservoirs. Whilst it is believed that hydrocarbons were identified, the quantum and quality is still subject to technical and geological analysis to determine if the reservoir is economically accretive to the Crux joint operation.

Movement in share prices of listed investments

Subsequent to year end, there has been a decline in the share prices and as a result the value of the Group's investments have declined from what is presented in this financial report. The market value of listed investments at 25 August 2015 compared to the market value at 30 June 2015, and other related derivatives is outlined below.

	MARKET VALUE	
	25 August 2015 $m	30 June 2015 $m
Listed investments (available-for-sale)	915.9	1,097.6
Listed investments accounted for using the equity method	501.2	631.1
Derivative financial instruments linked to share prices (current liability)	(7.8)	(7.4)
Total listed investments and equity derivatives	**1,409.3**	**1,721.3**

28. PARENT ENTITY DISCLOSURES

As at and throughout the year ended 30 June 2015 the parent company of the Group was Seven Group Holdings Limited.

The individual financial statements for the parent entity show the following aggregate amounts.

	COMPANY	
	2015 $m	2014 $m
Financial position of parent entity at end of the year		
Current assets	1.1	8.1
Total assets	3,117.8	3,097.9
Current liabilities	26.2	–
Total liabilities	457.4	430.4
Total equity of the parent entity comprising of:		
Contributed equity	2,544.6	2,586.2
Reserves	4.5	3.9
Retained earnings	111.2	77.4
Total shareholders equity	**2,660.3**	**2,667.5**
Result of the parent entity		
Profit/(loss) for the year	179.6	(23.2)
Total comprehensive income for the year	**179.6**	**(23.2)**
Other information		
Contingent liabilities of the parent entity[a]	145.9	96.0

(a) relates to financial guarantees provided to third parties by the parent entity for subsidiary debt facilities and other financing arrangements. These facilities are held by entities that are outside of the Deed of Cross Guarantee disclosed in Note 29.

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of certain of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in Note 29: Controlled Entities.

29. CONTROLLED ENTITIES

	Notes	Country of incorporation	OWNERSHIP INTEREST 2015 %	2014 %
Parent entity				
Seven Group Holdings Limited	(a)	Australia		
Subsidiaries				
Allight Holdings Pty Limited	(a) (b)	Australia	100	100
AllightPrimax FZCO		UAE	100	100
AllightSykes Pty Limited	(a) (b)	Australia	100	100
AllightSykes SA (Proprietary) Limited		South Africa	100	100
ATPH Pty Limited		Australia	100	100
ATP1 Pty Limited		Australia	100	100
ATP2 Pty Limited		Australia	100	100
ATP3 Pty Limited		Australia	100	100
C7 Pty Limited	(a)	Australia	100	100
Direct Target Access Pty Limited	(a)	Australia	100	100
EMT Group Pty Limited		Australia	100	100
FGW Pacific Pty Limited		Australia	100	100
Industrial Investment Holdings Pty Limited	(c)	Australia	100	100
Kimlin Holdings Pty Limited		Australia	100	100
Liaoning WesTrac Machinery Equipment Limited		China	100	100
Manooka Holdings Pty Limited	(a)	Australia	100	100
Miltonstar Pty Limited	(a)	Australia	100	100
Mining Equipment Spares Pty Limited		Australia	100	100
National Hire Facilitation Pty Limited	(a)	Australia	100	100
National Hire Group Limited	(a)	Australia	100	100
Network Investment Holdings Pty Limited	(a)	Australia	100	100
Point Pty Limited	(a)	Australia	100	100
Primax USA Inc		USA	100	100
Priority People Solutions Pty Ltd		Australia	100	100
PT AllightSykes		Indonesia	100	100
Pump Rentals Pty Limited	(a) (b)	Australia	100	100
Realtime Reporters Pty Limited		Australia	100	100
Seven Broadcast Properties Trust		Australia	100	100
Seven Custodians Pty Limited	(a)	Australia	100	100
Seven Entertainment Pty Limited		Australia	100	100
Seven Finance Pty Limited		Australia	100	100
Seven Media Group Pty Limited	(a)	Australia	100	100
Seven (National) Pty Limited	(a)	Australia	100	100
Seven Network International Limited	(a)	Australia	100	100
Seven Network Investments Pty Limited	(a)	Australia	100	100
Seven Network Limited	(a)	Australia	100	100
Seven Network Nominees Pty Limited	(a)	Australia	100	100
Seven Network (United States) Inc		USA	100	100
Seven Resources Pty Limited	(a)	Australia	100	100
Seven (WAN) Pty Limited		Australia	100	100
SGH Communications Pty Limited		Australia	100	100
SGH Energy Aust. NL	(e) (f)	Australia	100	–
SGH Energy Corporate Pty Ltd	(e) (f)	Australia	100	–
SGH Energy (No 1) Pty Limited	(d)	Australia	100	100
SGH Energy (No 2) Pty Limited	(d)	Australia	100	100

	Notes	Country of incorporation	OWNERSHIP INTEREST 2015 %	2014 %
SGH Energy NTP66 Pty Ltd	(e) (f)	Australia	100	–
SGH Energy NV Pty Ltd	(e) (f)	Australia	100	–
SGH Energy Pty Ltd	(e) (g)	Australia	100	–
SGH Energy Services Pty Ltd	(e) (f)	Australia	100	–
SGH Energy VICP54 Pty Ltd	(e) (f)	Australia	100	–
SGH Energy VICP56 Pty Ltd	(e) (f)	Australia	100	–
SGH Energy WA Pty Ltd	(e) (f)	Australia	100	–
SGH Energy WA377P Pty Ltd	(e) (f)	Australia	100	–
SGH Productions Pty Limited	(a) (h)	Australia	100	100
Sitech (Beijing) Engineering Technology Development Company Limited		China	51	51
Sitech Solutions Pty Limited		Australia	51	51
Sitech (WA) Pty Limited		Australia	51	51
SMG Executives Pty Limited		Australia	100	100
SMG FINCO Pty Limited	(a)	Australia	100	100
SNZ Pty Limited	(a)	Australia	100	100
Specialised Investments Pty Limited		Australia	100	100
Sykes Fleet Services Pty Limited		Australia	100	100
Sykes Group Pty Limited	(a) (b)	Australia	100	100
Sykes New Zealand Limited		New Zealand	100	100
Tallglen Pty Limited	(a)	Australia	100	100
Tianjin WesTrac Machinery Equipment Limited		China	100	100
Weishan (Beijing) Machinery Equipment Limited		China	100	100
WesTrac (Beijing) Machinery Equipment Limited		China	100	100
WesTrac China Limited		Hong Kong	100	100
WesTrac (China) Machinery Equipment Limited		China	100	100
WesTrac Fleet Pty Limited		Australia	100	100
WesTrac Holdings Pty Limited	(a)	Australia	100	100
WesTrac Hong Kong Limited		Hong Kong	100	100
WesTrac Inventory Pty Limited		Australia	100	100
WesTrac Machinery Distribution Pty Limited		Australia	100	100
WesTrac Pty Limited		Australia	100	100

(a) pursuant to ASIC Class Order 98/1418 (as amended) (dated 13 August 1998) these controlled entities are relieved from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of financial reports.
(b) these controlled entities entered into the Deed of Cross Guarantee with the Company via Assumption Deed on 3 June 2014.
(c) this company was incorporated on 4 November 2013.
(d) these companies were incorporated on 4 April 2014.
(e) these companies were acquired on 31 December 2014 as part of the Nexus Deed of Company Arrangement.
(f) these companies changed their name on 18 February 2015 (previously Nexus).
(g) this company changed its name from Nexus Energy Limited to SGH Energy Pty Ltd on 24 March 2015.
(h) Seven Productions Pty Limited changed its name to SGH Productions Pty Limited on 11 December 2014.

29. CONTROLLED ENTITIES (CONTINUED)

Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) ("Class Order") the wholly-owned controlled entities listed above (marked (a)) are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports and Directors' reports.

It is a condition of the Class Order that the Company and each of the wholly owned controlled entities (marked (a)) enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the parties to the Deed under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the *Corporations Act 2001*, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

A combined statement of comprehensive income and combined statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, are set out below.

	COMBINED 2015 $m	COMBINED 2014 $m
Statement of Comprehensive Income		
Revenue		
Revenue	65.4	–
Other income		
Other income	27.9	6.9
Gain on sale of investments and equity accounted investee	26.9	34.0
Dividend income	175.7	143.7
Total other income	**230.5**	**184.6**
Share of results from equity accounted investees	(210.4)	101.4
Impairment of equity accounted investees	(200.8)	(42.2)
Expenses excluding depreciation and amortisation		
Expenses	(242.8)	(23.7)
Depreciation and amortisation	(6.5)	(0.3)
(Loss)/profit before net finance costs and tax	**(364.6)**	**219.8**
Net finance (costs)/income	(18.9)	2.6
(Loss)/profit before tax	**(383.5)**	**222.4**
Income tax benefit	281.6	13.2
(Loss)/profit for the year	**(101.9)**	**235.6**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Net change in fair value of available-for-sale financial assets	60.4	52.3
Cash flow hedges: effective portion of changes in fair value	(0.8)	–
Foreign currency differences for foreign operations	5.3	–
Income tax on items of other comprehensive income	(16.8)	(15.7)
Total items that may be reclassified subsequently to profit or loss	**48.1**	**36.6**
Total comprehensive income for the year	**(53.8)**	**272.2**
Movement in retained earnings		
Retained earnings at beginning of the year	724.5	637.8
(Loss)/profit for the year	(101.9)	235.6
Dividends paid during the year	(145.9)	(148.9)
Retained earnings at end of the year	**476.7**	**724.5**

	COMBINED	
	2015 $m	2014 $m
Statement of Financial Position		
Current assets		
Cash and cash equivalents	126.0	12.0
Trade and other receivables	34.2	81.2
Inventories	17.0	30.0
Current tax assets	11.0	12.5
Loans to related parties	–	126.7
Other current assets	0.1	–
Derivative financial instruments	0.1	–
Total current assets	**188.4**	**262.4**
Non-current assets		
Investments in controlled entities	1,107.4	853.8
Investments accounted for using the equity method	683.8	1,144.8
Other financial assets	1,074.7	873.7
Property, plant and equipment	14.2	17.2
Intangible assets	0.1	63.5
Total non-current assets	**2,880.2**	**2,953.0**
Total assets	**3,068.6**	**3,215.4**
Current liabilities		
Trade and other payables	40.1	–
Loans from related parties	47.8	49.1
Current tax liabilities	127.2	194.8
Deferred income	0.7	–
Provisions	3.7	4.5
Derivative financial instruments	4.2	–
Total current liabilities	**223.7**	**248.4**
Non-current liabilities		
Interest bearing loans and liabilities	797.2	530.8
Deferred tax liabilities	61.0	296.9
Trade and other payables	1.1	0.6
Provisions	4.8	5.8
Deferred income	7.3	7.3
Total non-current liabilities	**871.4**	**841.4**
Total liabilities	**1,095.1**	**1,089.8**
Net assets	**1,973.5**	**2,125.6**
Equity		
Issued capital	2,544.6	2,586.2
Reserves	(1,047.8)	(1,185.1)
Retained earnings	476.7	724.5
Total equity	**1,973.5**	**2,125.6**

30. BUSINESS COMBINATION

Accounting policy

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control (refer Note 1(B)) of the other combining entities or businesses. The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination.

If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

The fair value of the identifiable assets is based on valuations performed by independent experts.

Measuring goodwill

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. If the cost of the acquisition is less than the Group's share of the fair value of the identifiable net assets of the acquiree, the difference is recognised directly in profit or loss, but only after a reassessment of the identification and measurement of the net assets acquired. Any goodwill that arises is tested annually for impairment.

Contingent liabilities

A contingent liability of the acquiree is recognised in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Non-controlling interest

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, stamp duties and other professional and consulting fees are expensed as incurred.

Acquisition of Nexus Energy Limited

On 31 December 2014, a wholly owned group subsidiary, SGH Energy (No 2) Pty Limited, acquired all the outstanding issued shares in Nexus Energy Limited (NXS), a then ASX listed oil and gas production, development and exploration company. The transaction was completed through the execution of a Deed of Company Arrangement (DOCA) having received both NSW Supreme Court and Australian Securities and Investments Commission (ASIC) approval.

The acquisition of NXS underpins the Group's move to create a third operating "pillar", energy, a sector the Group believes to have potential to generate returns in excess of its cost of capital.

The consideration transferred included $173.7 million in respect of the settlement of senior, subordinated and working capital loans provided by the Group to NXS. No gain or loss was realised in settling the pre-acquisition loans. A further $62.2 million was paid to settle the acquisition of NXS under the terms of the DOCA.

The fair values of the identifiable assets acquired and liabilities assumed of NXS are provisional. Apart from interest on loans receivable and finance fee income of $27.2 million earned prior to acquisition, NXS contributed a loss after tax of $4.9 million to the Group's profit or loss for the period. Management estimates that NXS would have contributed revenue from sale of gas and condensate of $31.3 million and a net loss after tax of $47.5 million (inclusive of $30 million in settlement of Sedco claims) for the period if the transaction had taken place on 1 July 2014.

Details of the purchase consideration, the net assets and the allocation of identifiable intangibles have not been finalised and are provisional.

	2015 $m
Consideration	
Loans receivable settled as part of business combination	173.7
Cash paid	62.2
Cash acquired	(14.5)
Total consideration	**221.4**
Identifiable assets acquired and liabilities assumed	
Trade and other receivables	11.7
Production and development assets	326.1
Exploration and evaluation assets	5.5
Trade and other payables	(32.9)
Provisions	(114.9)
Provisional fair value of net identifiable assets	**195.5**
Goodwill on acquisition	
Total consideration transferred for accounting purposes at fair value	221.4
Provisional fair value of identifiable net assets	(195.5)
Goodwill on acquisition	**25.9**

Goodwill on acquisition of $25.9 million represents the benefit of synergies to be generated through the Group's existing oil and gas assets in the Bivins Ranch area in Texas USA and more importantly, the leveraging of industry knowledge, experience and expertise of key Group executives.

Acquisition costs of $2.7 million relating to the transaction have been incurred in the current year and are included in other expenses in the consolidated income statement. On 24 March 2015, Nexus Energy Limited changed its name to SGH Energy Pty Ltd.

Acquisition of Versatech

On 21 April 2015, a controlled entity, Sitech (WA) Pty Limited acquired some of the business assets of Versatech Engineering Services.

Details of the purchase consideration, the net assets and the allocation of identifiable intangibles have not been finalised and are provisional.

	2015 $m
Consideration	
Cash paid	4.4
Total consideration	**4.4**
Identifiable assets acquired and liabilities assumed	
Inventories	0.1
Property, plant and equipment	0.4
Intangible assets	2.0
Provisional fair value of net identifiable assets	**2.5**
Goodwill on acquisition	
Total consideration transferred for accounting purposes at fair value	4.4
Provisional fair value of identifiable net assets	(2.5)
Goodwill on acquisition	**1.9**

Acquisition costs of $0.3 million relating to the transaction have been incurred in the current year and are included in other expenses.

Prior year acquisition

Acquisition of Bucyrus China

The acquisition accounting for the acquisition of Bucyrus China was completed during the year ended 30 June 2015. There were no significant adjustments from the finalisation of the provisional acquisition accounting. Refer to Note 26 of the 2014 Annual Report for details of the acquisition accounting.

31. RELATED PARTY DISCLOSURES

Key Management Personnel compensation

Detailed remuneration disclosures, including movements in equity holdings for KMP, are provided in the Remuneration Report section of the Directors' Report.

The aggregate compensation made to the Key Management Personnel of the Group is set out below:

	2015 $000	2014 $000
Short-term employee benefits	9,042	11,555
Post-employment benefits	209	247
Termination benefits	454	458
Other long-term employee benefits	277	106
Share-based payments	2,010	986
Total key management personnel compensation	**11,992**	**13,352**

No Director has entered into a material contract with the Group in the current or prior year other than those disclosed in the Remuneration Report.

Subsidiaries

Interests in subsidiaries are set out in Note 29: Controlled Entities.

Other related party transactions

The aggregate value of transactions between the Group and its equity accounted investees is outlined below.

	2015 $m	2014 $m
Sales revenue		
Associates	2.4	2.8
Joint ventures	25.5	19.2
Other income		
Joint ventures	3.4	4.1
Finance income		
Joint ventures	–	4.0
Rental expense		
Joint ventures	(1.7)	(3.5)
Other expenses		
Associates	(3.9)	(4.1)
Joint ventures	(0.7)	(0.1)
Expense reimbursement		
Associates	(0.4)	(0.6)
Outstanding balances arising from transactions with equity accounted investees:		
Trade and other receivables		
Associates	0.7	1.9
Joint ventures	2.9	2.5
Trade and other payables		
Associates	–	(0.3)
Tax payable to equity accounted investee who is a member of the tax consolidated group		
Associates	(30.7)	(17.8)

The Group's property at Tuart Hill (Dianella), Western Australia was leased to a subsidiary of Seven West Media Limited under a peppercorn rental agreement as set out in clause 4.10 of the Share Sale Agreement between the Company and West Australian Newspapers Holdings Limited (dated 10 April 2011). The agreement was terminated during the year as part of redevelopment of the site.

32. AUDITOR'S REMUNERATION

Amounts received or due and receivable by auditors of the Company are set out below.

	2015 $000	2014 $000
Audit and audit related services		
Auditors of the Company		
KPMG Australia		
– Audit and review of financial reports	779	670
– Other assurance services	–	15
Overseas KPMG firms		
– Audit and review of financial report	239	184
Total audit and audit related services	**1,018**	**869**
Other services		
Auditors of the Company		
KPMG Australia		
– Other advisory services	5	12
Overseas KPMG firms		
– Other tax and advisory services	17	43
Total other services	**22**	**55**
Total auditor's remuneration	**1,040**	**924**

All amounts payable to the auditors of the Company were paid by Group subsidiaries.

KPMG are only appointed to assignments additional to their statutory audit duties where they are able to maintain their audit independence.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Seven Group Holdings Limited (the Company):

   (a) the consolidated financial statements and notes that are set out on pages 77 to 137, and the Remuneration Report, set out on pages 51 to 73 in the Directors' Report are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the group entities identified in Note 29 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

3. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director & Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2015.

4. The Directors draw attention to Note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Kerry Stokes

KM Stokes AC
Executive Chairman

M. C. Wells

MC Wells
Chairman of the Audit & Risk Committee

Sydney
26 August 2015

To the members of Seven Group Holdings Limited

Independent auditor's report to the members of Seven Group Holdings Limited

Report on the financial report

We have audited the accompanying financial report of Seven Group Holdings Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2015, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, Notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the remuneration report included in pages 52 to 73 of the directors' report for the year ended 30 June 2015. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Seven Group Holdings Limited for the year ended 30 June 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Kevin Leighton
Partner

Sydney

26 August 2015

INVESTOR INFORMATION

SHAREHOLDER INQUIRIES

Investors seeking information regarding their shareholding or dividends or wishing to advise of a change of address should contact the Share Registry at:

Boardroom Pty Limited
Level 12
Grosvenor Place
225 George Street
Sydney NSW 2000
Telephone: (02) 9290 9600
Facsimile: (02) 9279 0664 or
Visit the online service at boardroomlimited.com.au.

Boardroom Pty Limited has an online service for investors called InvestorServe. This enables investors to make online changes, view balances and transaction history, as well as obtain information about recent dividend payments and download various forms to assist in the management of their holding. To use this service visit the Boardroom Pty Limited website.

Other general inquiries may be directed to Mr W. Coatsworth, Company Secretary on (02) 8777 7777 or visit the website at www.sevengroup.com.au.

TAX FILE NUMBER INFORMATION

The company is obliged to record Tax File Numbers or exemption details provided by shareholders. While it is not compulsory for shareholders to provide a Tax File Number or exemption details, Seven Group Holdings Limited is obliged to deduct tax from unfranked dividends paid to investors resident in Australia who have not supplied such information. Forms are available upon request from the Share Registry or shareholders can submit their Tax File Number via the Boardroom website.

THE CHESS SYSTEM

Seven Group Holdings Limited operates under CHESS – Clearing House Electronic Subregister System – an Australian Securities Exchange system which permits the electronic transfer and registration of shares. Under CHESS, the company issues a Statement of Holdings to investors, instead of share certificates, and the statement will quote the Holder Identification Number (HIN). The HIN number should be quoted on any correspondence investors have with the Share Registry.

The company will maintain investors' holdings in an Issuer Sponsored facility, which enables investors to maintain their holding without the need to be tied to any particular stockbroker.

SUBSTANTIAL SHAREHOLDERS – ORDINARY SHARES

The number of ordinary shares held by the Substantial Shareholders based on the most recent notifications contained in the Company's Register of Substantial Shareholders as at 10 August 2015 are as follows:

Shareholder	No. of Shares	% Held *
KM Stokes; North Aston Pty Limited, Wroxby Pty Limited and Ashblue Holdings Pty Limited; Tiberius Pty Limited, Redlake Pty Limited and Tiberius group entities; Australian Capital Equity Pty Limited, Clabon Pty Limited and Australian Capital Equity Pty Limited group entities.	207,304,349	69.97

* Based on issued capital at date of notification

DISTRIBUTION OF ORDINARY SHAREHOLDERS AND TELYS4 SHAREHOLDERS

Category (No.s)	Ordinary Shareholders	TELYS4
1 – 1,000	5,060	8,659
1,001 – 5,000	4,028	621
5,001 – 10,000	614	33
10,001 – 100,000	341	19
100,001 – and over	40	5
Total No. of Holders	10,083	9,337
No. of Holdings less than a Marketable Parcel	665	12

TWENTY LARGEST ORDINARY SHAREHOLDERS

Name of Shareholder	No. of Shares	% Held
North Aston Pty Limited	99,000,000	33.42
Ashblue Holdings Pty Limited	54,000,000	18.23
Wroxby Pty Limited	30,731,907	10.38
HSBC Custody Nominees (Australia) Limited	21,279,722	7.19
North Aston Pty Limited	15,110,000	5.10
Citicorp Nominees Pty Limited	13,027,178	4.39
JP Morgan Nominees Australia Limited	10,201,308	3.45
National Nominees Limited	9,026,823	3.04
Ashblue Holdings Pty Limited	8,462,442	2.86
BNP Paribas Nominees Pty Limited	1,825,445	0.62
UBS Nominees Pty Limited	1,646,364	0.56
JMB Pty Limited	554,400	0.18
Yalgardup Corporation Pty Limited	494,345	0.17
Jan 123 Pty Limited	467,851	0.16
Navigator Australia Limited	289,943	0.09
HSBC Custody Nominees (Australia) Limited	271,812	0.09
RBC Investor Services Australia Nominees Pty Limited	257,775	0.09
Mr B.M. Lambert	239,547	0.08
Elphinstone Holdings Pty Limited	222,500	0.08
CS Fourth Nominees Pty Limited	219,892	0.07
Total Twenty Largest Ordinary Shareholders	267,329,254	90.25

TWENTY LARGEST TELYS4 SHAREHOLDERS

Name of Shareholder	No. of TELYS4	% Held
Navigator Australia Limited	144,247	2.91
Sandhurst Trustees Limited	139,020	2.80
JP Morgan Nominees Australia Limited	134,118	2.70
National Nominees Limited	128,021	2.58
HSBC Custody Nominees (Australia) Limited	101,138	2.04
UBS Wealth Management Australia Nominees Pty Limited	88,349	1.78
Nulis Nominees (Australia) Limited	77,213	1.56
Netwealth Investments Limited	52,613	1.06
Australian Executor Trustees Limited	32,551	0.66
ZW2 Pty Limited	30,500	0.61
Jilliby Pty Limited	29,250	0.59
Sandhurst Trustees Limited	27,369	0.55
SR Consolidated Pty Limited	21,435	0.43
Netwealth Investments Limited	20,214	0.40
BNP Paribas Nominees Pty Limited	18,336	0.37
RBC Investor Service Australia Nominees Pty Limited	17,437	0.35
Citicorp Nominees Pty Limited	16,082	0.33
Lenhut Pty Limited	15,619	0.31
Excalibur Trading Pty Limited	13,736	0.28
Avanteos Investments Limited	12,675	0.25
Total Twenty Largest TELYS4 Shareholders	1,119,923	22.56

VOTING RIGHTS

Ordinary Shares

On a show of hands, every member present in person or by proxy or attorney, or being a corporation, present by its representative, shall have one vote. On a poll, every member present in person or by proxy or attorney, or being a corporation, present by its representative, shall have one vote for every share held.

TELYS4

There are limited voting rights attached to TELYS4 as detailed in their terms of issue. In broad terms, a holder has the right to vote if a dividend is in arrears, on a proposal to reduce share capital, affecting rights on the TELYS4, on a winding up of the company, on a disposal of the whole undertaking of the company, on a resolution to approve a buy-back agreement and during the winding up of the company. Upon conversion of the TELYS4, the resulting issued shares will confer full voting rights.

Stock Exchange Listing

The Company is listed with the Australian Securities Exchange Limited and the home exchange is Sydney.

On-Market Buy-Back

There is a current on-market buy-back.

CORPORATE DIRECTORY

SEVEN GROUP HOLDING LIMITED

Head Office
Level 2, 38 - 42 Pirrama Road
Pyrmont NSW 2009
Ph: (02) 8777 7777
Fax: (02) 8777 7778

WesTrac WA
128-136 Great Eastern Highway
South Guildford WA 6055
Ph: (08) 9377 9444
Fax: (08) 9377 1791

WesTrac NSW
1 Crescent Street
Holroyd NSW 2142
Ph: (02) 9840 4600
Fax: (02) 9840 4689

WesTrac ACT
78 Sheppard Street
Hume ACT 2620
Ph: (02) 6290 4500
Fax: (02) 6260 2814

WesTrac China
Sky Centre Tower A
No 22 Wanyuan Street
Beijing China 100176
Ph: (86) (10) 5902 1666

AllightSykes WA
12 Hoskins Road
Landsdale WA 6065
Ph: (08) 9302 7000
Fax: (08) 9302 2122

AllightSykes NSW
42 Munibung Road
Cardiff NSW 2285
Ph: (02) 4954 3333
Fax: (02) 4954 3303

SGH Energy
Level 23, 530 Collins Street
Melbourne VIC 3000
Ph: (03) 9660 2500
Fax: (03) 9654 9303

COMPANY INFORMATION

LIST OF DIRECTORS
Kerry Stokes AC (Executive Chairman)
Ryan Stokes (Managing Director & Chief Executive Officer)
Terry Davis
Christopher Mackay
David McEvoy
Bruce McWilliam (Commercial Director)
Warwick Smith AM
Richard Uechtritz
Prof. Murray Wells

COMPANY SECRETARY
Warren Coatsworth

REGISTERED OFFICE
Company Secretariat
Level 2
38–42 Pirrama Road
Pyrmont NSW 2009

SHARE REGISTRY
Boardroom Pty Limited
Level 12
Grosvenor Place
225 George Street
Sydney NSW 2000

AUDITOR
KPMG
10 Shelley Street
Sydney NSW 2000

LEGAL ADVISORS
Herbert Smith Freehills
ANZ Tower
161 Castlereagh Street
Sydney NSW 2000

Clayton Utz
Level 15
1 Bligh Street
Sydney NSW 2000

CREATED BY DESIGNATE

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