

20 February 2019

Company Announcements Office
Australian Securities Exchange Limited
Level 6, 20 Bridge Street
Sydney NSW 2000

By electronic lodgment

Total Pages: 34 (including covering letter)

Dear Sir / Madam

HALF-YEAR FINANCIAL REPORT

In accordance with the Listing Rules, following are the Half-Year Report Appendix 4D and the Half-Year Financial Report at 31 December 2018.

Yours faithfully



Warren Coatsworth
Company Secretary

SGH | Industrial Services, Media,
Energy and Investments

Focus on
execution

Results for the half-year ended
31 December 2018



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CORPORATE DIRECTORY

DIRECTORS

Kerry Stokes AC (Executive Chairman)
Ryan Stokes (Managing Director & Chief
Executive Officer)
Annabelle Chaplain
Terry Davis
Christopher Mackay
David McEvoy
Bruce McWilliam (Commercial Director)
Warwick Smith AO
Richard Uechtritz

COMPANY SECRETARY

Warren Coatsworth

REGISTERED OFFICE

Seven Group Holdings Limited
ABN: 46 142 003 469
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Sydney NSW 2000

SHARE REGISTRY

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Sydney NSW 2000

AUDITOR

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Sydney NSW 2000

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Appendix 4D - Half-Year Report

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
ABN 46 142 003 469
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET

REPORTED ON A CONTINUING OPERATION BASIS \$m

Revenue from ordinary activities				
From continuing operations	up	45.04%	to	2,026.5
Net profit from ordinary activities after tax attributable to members	down	64.09%	to	60.3
Net profit for period attributable to members	down	64.09%	to	60.3

UNDERLYING \$m

Revenue from ordinary activities				
From continuing operations	up	45.04%	to	2,026.5
Net profit before net finance expense and tax				
From continuing operations	up	67.70%	to	374.8
Net profit from ordinary activities after tax attributable to members excluding significant items				
From continuing operations	up	61.41%	to	256.8

DIVIDENDS

	Amount per security	Franked amount per security
Ordinary shares		
Interim	21 cents	21 cents
Record date for determining entitlements to the dividend		5.00pm on 26 March 2019
Date the interim dividend is payable		18 April 2019

NET TANGIBLE ASSET BACKING

Net tangible asset backing per ordinary share: \$3.70 (December 2017: \$2.00).

This has been calculated by dividing the net assets attributable to equity holders of the Company (reduced for the carrying value of TELYS4 preference shares in the prior period) less intangible assets by the number of ordinary shares at 31 December 2018.

COMMENTARY ON RESULTS

Detailed commentary on the results for the period is contained in the press release dated 20 February 2019 accompanying this Report. This Report should be read in conjunction with the 2018 Annual Report and any public announcements made by the Company in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

Appendix 4D - Half-Year Report

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

ABN 46 142 003 469

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET UNDERLYING TRADING PERFORMANCE

	Underlying trading performance ^(a)			Less: Significant items ^(b)			Statutory results (as reported)		
	Cont. \$m	Discont. \$m	Total \$m	Cont. \$m	Discont. \$m	Total \$m	Cont. \$m	Discont. \$m	Total \$m
Half-year ended 31 December 2018									
Revenue	2,026.5	-	2,026.5	-	-	-	2,026.5	-	2,026.5
Gain on conversion of convertible note	-	-	-	(28.9)	-	(28.9)	28.9	-	28.9
Other income	30.4	-	30.4	-	-	-	30.4	-	30.4
Share of results from equity accounted investees	114.1	-	114.1	-	-	-	114.1	-	114.1
Impairment of equity accounted investee	-	-	-	225.4	-	225.4	(225.4)	-	(225.4)
Expenses excluding depreciation and amortisation	(1,706.6)	-	(1,706.6)	-	-	-	(1,706.6)	-	(1,706.6)
Profit before depreciation, amortisation, net finance expense and tax	464.4	-	464.4	196.5	-	196.5	267.9	-	267.9
Depreciation and amortisation	(89.6)	-	(89.6)	-	-	-	(89.6)	-	(89.6)
Profit before net finance expense and income tax	374.8	-	374.8	196.5	-	196.5	178.3	-	178.3
Net finance expense	(50.6)	-	(50.6)	-	-	-	(50.6)	-	(50.6)
Profit before income tax	324.2	-	324.2	196.5	-	196.5	127.7	-	127.7
Income tax expense	(66.7)	-	(66.7)	-	-	-	(66.7)	-	(66.7)
Profit for the period	257.5	-	257.5	196.5	-	196.5	61.0	-	61.0
Profit for the period attributable to:									
Equity holders of the Company	256.8	-	256.8	196.5	-	196.5	60.3	-	60.3
Non-controlling interest	0.7	-	0.7	-	-	-	0.7	-	0.7
Profit for the period	257.5	-	257.5	196.5	-	196.5	61.0	-	61.0

	Underlying trading performance ^(a)			Less: Significant items ^(b)			Statutory results (as reported)		
	Cont. \$m	Discont. \$m	Total \$m	Cont. \$m	Discont. \$m	Total \$m	Cont. \$m	Discont. \$m	Total \$m
Half-year ended 31 December 2017									
Revenue	1,397.2	189.9	1,587.1	-	-	-	1,397.2	189.9	1,587.1
Other income	35.6	2.3	37.9	(4.0)	-	(4.0)	39.6	2.3	41.9
Share of results from equity accounted investees	73.2	-	73.2	(3.0)	-	(3.0)	76.2	-	76.2
Revaluation of equity interest on acquisition of Coates Hire	-	-	-	(14.5)	-	(14.5)	14.5	-	14.5
Loss on sale of WesTrac China	-	-	-	5.3	-	5.3	(5.3)	-	(5.3)
Recycling of FCTR on sale of WesTrac China	-	-	-	(79.9)	-	(79.9)	79.9	-	79.9
Impairment of equity accounted investee	-	-	-	91.3	-	91.3	(91.3)	-	(91.3)
Expenses excluding depreciation and amortisation	(1,238.2)	(174.2)	(1,412.4)	7.0	-	7.0	(1,245.2)	(174.2)	(1,419.4)
Profit before depreciation, amortisation, net finance expense and tax	267.8	18.0	285.8	2.2	-	2.2	265.6	18.0	283.6
Depreciation and amortisation	(44.3)	(0.8)	(45.1)	-	-	-	(44.3)	(0.8)	(45.1)
Profit before net finance expense and income tax	223.5	17.2	240.7	2.2	-	2.2	221.3	17.2	238.5
Net finance expense	(47.3)	(2.1)	(49.4)	-	-	-	(47.3)	(2.1)	(49.4)
Profit before income tax	176.2	15.1	191.3	2.2	-	2.2	174.0	15.1	189.1
Income tax expense	(16.4)	(4.7)	(21.1)	(0.6)	-	(0.6)	(15.8)	(4.7)	(20.5)
Profit for the period	159.8	10.4	170.2	1.6	-	1.6	158.2	10.4	168.6
Profit for the period attributable to:									
Equity holders of the Company	159.1	10.4	169.5	1.6	-	1.6	157.5	10.4	167.9
Non-controlling interest	0.7	-	0.7	-	-	-	0.7	-	0.7
Profit for the period	159.8	10.4	170.2	1.6	-	1.6	158.2	10.4	168.6

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

(b) Detailed information regarding the composition of significant items is provided in Note 3: Significant Items.

Refer to Consolidated Statement of Profit or Loss and Other Comprehensive Income for information on individual reported components above.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	Dec 18 \$m	Dec 17 \$m
CONTINUING OPERATIONS			
Revenue	4	2,026.5	1,397.2
OTHER INCOME			
Dividend income		12.3	17.3
Other		18.1	22.3
Total other income		30.4	39.6
Share of results from equity accounted investees	8	114.1	76.2
Gain on conversion of convertible note		28.9	-
Revaluation of equity interest on acquisition of Coates Hire		-	14.5
Loss on sale of WesTrac China		-	(5.3)
Recycling of foreign currency translation reserve on sale of WesTrac China		-	79.9
Impairment of equity accounted investee	8	(225.4)	(91.3)
Expenses excluding depreciation and amortisation	4	(1,706.6)	(1,245.2)
Profit before depreciation and amortisation, net finance expense and income tax		267.9	265.6
Depreciation and amortisation		(89.6)	(44.3)
Profit before net finance expense and income tax		178.3	221.3
Finance income	5	1.5	3.1
Finance expense	5	(52.1)	(50.4)
Net finance expense		(50.6)	(47.3)
Profit before income tax		127.7	174.0
Income tax expense	6	(66.7)	(15.8)
Profit for the period from continuing operations		61.0	158.2
Profit for the period from discontinued operations		-	10.4
Profit for the period		61.0	168.6
Profit for the period attributable to:			
Equity holders of the Company		60.3	167.9
Non-controlling interest		0.7	0.7
Profit for the period		61.0	168.6
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss			
Net change in fair value of financial assets at fair value through other comprehensive income		32.6	(50.9)
Impact of transition to new accounting standards		(0.7)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	6	(9.1)	(5.7)
Total items that will not be reclassified subsequently to profit or loss		22.8	(56.6)
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges: effective portion of changes in fair value		2.0	0.6
Foreign currency differences for foreign operations		5.4	(93.5)
Income tax relating to items that may be reclassified subsequently to profit or loss	6	(0.6)	0.2
Total items that may be reclassified subsequently to profit or loss		6.8	(92.7)
Total comprehensive income for the period		90.6	19.3
Total comprehensive income for the period attributable to:			
Equity holders of the Company		89.9	18.6
Non-controlling interest		0.7	0.7
Total comprehensive income for the period		90.6	19.3
EARNINGS PER SHARE (EPS)			
		\$	\$
From continuing and discontinued operations			
Basic earnings per share	7	0.18	0.52
Diluted earnings per share	7	0.18	0.52
From continuing operations			
Basic earnings per share	7	0.18	0.49
Diluted earnings per share	7	0.18	0.49

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements. ⁵

Consolidated Statement of Financial Position

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
AS AT 31 DECEMBER 2018

	Note	Dec 18 \$m	Jun 18 \$m
CURRENT ASSETS			
Cash and cash equivalents		76.7	104.6
Trade and other receivables		497.1	580.6
Inventories		909.8	828.6
Other financial assets		2.1	2.1
Other current assets		44.0	27.5
Derivative financial instruments	14	3.0	2.8
Assets held for sale		1.2	2.4
Total current assets		1,533.9	1,548.6
NON-CURRENT ASSETS			
Other receivables		-	5.2
Investments accounted for using the equity method	8	1,073.6	1,070.0
Other financial assets		499.3	466.8
Property, plant and equipment		858.3	835.6
Producing and development assets	9	226.7	222.2
Exploration and evaluation assets	10	222.3	219.6
Intangible assets		1,618.3	1,617.7
Derivative financial instruments	14	151.1	127.2
Total non-current assets		4,649.6	4,564.3
Total assets		6,183.5	6,112.9
CURRENT LIABILITIES			
Trade and other payables		412.5	421.2
Interest bearing loans and borrowings	12	0.6	118.1
Deferred income		100.9	109.9
Current tax liability		85.3	3.2
Provisions		43.8	73.1
Employee benefits		69.1	70.2
Derivative financial instruments	14	0.9	7.4
Total current liabilities		713.1	803.1
NON-CURRENT LIABILITIES			
Other payables		3.6	6.5
Interest bearing loans and borrowings	12	2,197.8	2,022.6
Deferred tax liabilities		260.3	259.3
Deferred income		3.2	3.6
Provisions		62.0	61.2
Employee benefits		17.4	17.2
Derivative financial instruments	14	41.6	104.1
Total non-current liabilities		2,585.9	2,474.5
Total liabilities		3,299.0	3,277.6
Net assets		2,884.5	2,835.3
EQUITY			
Contributed equity	15	2,883.4	2,858.6
Reserves		(857.2)	(887.8)
Retained earnings		846.3	853.2
Total equity attributable to equity holders of the Company		2,872.5	2,824.0
Non-controlling interest		12.0	11.3
Total equity		2,884.5	2,835.3

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

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

HALF-YEAR ENDED 31 DECEMBER 2018	Note	Contributed equity \$m	Reserves \$m	Retained earnings \$m	Total \$m	Non-controlling interest \$m	Total equity \$m
Balance as at 1 July 2018		2,858.6	(887.8)	853.2	2,824.0	11.3	2,835.3
Profit for the period		-	-	60.3	60.3	0.7	61.0
Impact of transition to new accounting standards		-	-	(0.7)	(0.7)	-	(0.7)
Net change in fair value of financial assets measured at fair value through other comprehensive income		-	32.6	-	32.6	-	32.6
Cash flow hedges: effective portion of changes in fair value		-	2.0	-	2.0	-	2.0
Foreign currency differences for foreign operations		-	5.4	-	5.4	-	5.4
Income tax on items of other comprehensive income		-	(9.7)	-	(9.7)	-	(9.7)
Total comprehensive income for the period		-	30.3	59.6	89.9	0.7	90.6
Transactions with owners recognised directly in equity							
Ordinary dividends paid	16	-	-	(66.5)	(66.5)	-	(66.5)
Share conversion - convertible note and TELYS4		31.8	-	-	31.8	-	31.8
Own shares acquired		(9.1)	-	-	(9.1)	-	(9.1)
Shares vested and transferred to employees		2.1	(2.1)	-	-	-	-
Share based payments		-	2.4	-	2.4	-	2.4
Total distributions to owners		24.8	0.3	(66.5)	(41.4)	-	(41.4)
Total movement in equity for the period		24.8	30.6	(6.9)	48.5	0.7	49.2
Balance as at 31 December 2018		2,883.4	(857.2)	846.3	2,872.5	12.0	2,884.5

HALF-YEAR ENDED 31 DECEMBER 2017

Balance as at 1 July 2017		2,472.9	(647.7)	588.0	2,413.2	12.0	2,425.2
Profit for the period		-	-	167.9	167.9	0.7	168.6
Net change in fair value of financial assets measured at fair value through other comprehensive income		-	(50.9)	-	(50.9)	-	(50.9)
Cash flow hedges: effective portion of changes in fair value		-	0.6	-	0.6	-	0.6
Foreign currency differences for foreign operations		-	(92.5)	-	(92.5)	(1.0)	(93.5)
Income tax on items of other comprehensive income		-	(5.5)	-	(5.5)	-	(5.5)
Total comprehensive income for the period		-	(148.3)	167.9	19.6	(0.3)	19.3
Transactions with owners recognised directly in equity							
Ordinary dividends paid	16	-	-	(59.1)	(59.1)	(0.8)	(59.9)
TELYS4 dividends paid	16	-	-	(11.5)	(11.5)	-	(11.5)
Shares issued	15	385.4	-	-	385.4	-	385.4
Shares bought back on-market		(0.7)	-	-	(0.7)	-	(0.7)
Shares vested and transferred to employee		1.0	(1.0)	-	-	-	-
Share based payments		-	(1.8)	-	(1.8)	-	(1.8)
Total distributions to owners		385.7	(2.8)	(70.6)	312.3	(0.8)	311.5
Total movement in equity for the period		385.7	(151.1)	97.3	331.9	(1.1)	330.8
Balance as at 31 December 2017		2,858.6	(798.8)	685.3	2,745.1	10.9	2,756.0

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

Consolidated Cash Flow Statement

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	Dec 18 \$m	Dec 17 \$m
CASH FLOWS RELATED TO OPERATING ACTIVITIES			
Receipts from customers		2,246.1	1,698.1
Payments to suppliers and employees		(1,993.8)	(1,590.4)
Dividends and distributions received from equity accounted investees	8	6.3	16.8
Other dividends received		17.7	28.4
Interest and other items of a similar nature received		1.6	3.2
Interest and other costs of finance paid		(44.2)	(42.0)
Income taxes paid		(1.8)	(1.3)
Net operating cash flows	11	231.9	112.8
CASH FLOWS RELATED TO INVESTING ACTIVITIES			
Payments for purchases of property, plant and equipment		(105.5)	(34.0)
Proceeds from sale of property, plant and equipment		13.8	3.1
Payments for purchase of intangible assets		(2.2)	(8.6)
Payment for production, development and exploration expenditure		(3.9)	(1.9)
Payments for other investments		(8.0)	(11.5)
Proceeds from sale of other financial assets		1.9	16.5
Proceeds from sale of shares in equity accounted investees		1.0	-
Proceeds from sale of subsidiary, net of cash disposed		-	535.4
Consideration for business combination, net of cash acquired		(1.6)	-
Acquisition of subsidiaries, net of cash acquired and transaction costs		-	(487.4)
Acquisition of equity accounted investees		(111.4)	(118.5)
Loans and deposits paid		0.4	2.2
Net investing cash flows		(215.5)	(104.7)
CASH FLOWS RELATED TO FINANCING ACTIVITIES			
Ordinary dividends paid	16	(66.5)	(59.1)
TELYS4 dividends paid	16	-	(11.5)
Dividends paid to non-controlling interests		-	(0.8)
Proceeds from borrowings		246.6	935.7
Repayment of borrowings		(224.7)	(1,072.8)
Transaction costs on equity conversion		(0.3)	-
Proceeds from issue of shares	15	-	385.2
Net financing cash flows		(44.9)	176.7
Net (decrease)/increase in cash and cash equivalents		(28.5)	184.8
Cash and cash equivalents at beginning of the period		104.6	172.5
Effect of exchange rate changes on cash and cash equivalents		0.6	(6.6)
Cash and cash equivalents at end of the period		76.7	350.7

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

Notes to the Consolidated Financial Statements

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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 half-year ended 31 December 2018 (Consolidated Interim Financial Report) and comprise the Company and its subsidiaries (together referred to as the Group), and the Group's interest in equity accounted investees.

The Consolidated Interim Financial Report was authorised for issue in accordance with a resolution of the Directors on 20 February 2019.

The Consolidated Interim Financial Report is a general purpose financial report. It has been prepared in accordance with the *Corporations Act 2001* and with International Accounting Standard IAS 34: *Interim Financial Reporting*. International Financial Reporting Standards (IFRSs) form the basis of Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB).

The Consolidated Interim Financial Report should be read in conjunction with the 2018 Annual Report and considered with any public announcements made by the Company during the half-year ended 31 December 2018 in accordance with the continuous disclosure obligations of the ASX Listing rules. A copy of the 2018 Annual Report is available from the Company on request or at www.sevengroup.com.au.

The Consolidated Interim Financial Report does not include all of the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as a full annual financial report.

The Consolidated Interim Financial Report is presented in Australian Dollars, which is the functional currency of the Group and is prepared on the historical cost basis except for the following items:

- financial instruments that are measured at amortised cost or fair value through other comprehensive income;
- derivative financial instruments that are measured at fair value through profit or loss; and
- liabilities for cash-settled share based payments are measured at fair value through profit or loss.

The Company is of a kind referred to in ASIC Instrument 2016/191 and in accordance with that Instrument, amounts in the Directors' Report and the half-year Financial Report are rounded off to the nearest whole number of million of dollars and one place of decimals representing hundreds of thousands of dollars unless otherwise stated.

(A) ACCOUNTING POLICIES

A number of new standards, amendment to standards and interpretations are effective for future reporting periods. These standards have not been applied in preparing this Consolidated Interim Financial Report.

Except as outlined below, the Consolidated Interim Financial Report has been prepared using accounting policies that are consistent with those that were applied by the Group and disclosed in the 2018 Annual Report.

AASB 15: Revenue from Contracts with Customers

In accordance with elections available under AASB 15, the new revenue recognition accounting policies are effective from 1 July 2018. Comparative information has not been restated and continues to be prepared under the policies disclosed in the 2018 Annual Report in accordance with the modified transition approach. The standard has only been applied to those contracts that are open at 1 July 2018.

AASB 15 provides a comprehensive framework for determining whether revenue is recognised, the amount and timing of revenue recognition. 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, rather than on the transfer of risks and rewards to the customer. This provides a more structured approach to revenue recognition.

Notes to the Consolidated Financial Statements

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

1. BASIS OF PREPARATION (CONTINUED)

Impact of application - AASB 15

The Group undertook a detailed review of its revenue contracts and the transition to AASB 15 has resulted in some changes in accounting policy. Refer to Note 4: Revenue and Expenditure for further detail.

From 1 July 2018, the Group recognises the service warranties provided on new equipment as a separate distinct performance obligation, with part of the contract consideration being deferred and recognised as revenue when the service is provided. WesTrac's maintenance and repair contracts (MARC)s are assessed to consider whether modification or extensions create a separate contract for services. As a result of the transition, the Group now recognises these obligations within deferred income with amounts taken to revenue as the future service is provided. The adoption of AASB 15 has not impacted the timing of revenue recognition for product support.

There was no material change to the revenue recognition for the Group as a result of the transition to AASB 15.

Impact of application - Equity accounted investees

As a result of the Group's equity accounted investees transitioning to accounting standards *AASB 9: Financial Instruments* and *AASB 15: Revenue from Contracts with Customers*, an adjustment of \$0.7 million has been included in the Group's results reflecting the Group's share of these adjustments performed by the equity accounted investees.

(B) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of 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 estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In preparing this Consolidated Interim Financial Report, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation and uncertainty were the same as those applied to the consolidated financial statements as at, and for the year ended, 30 June 2018.

Specifically, the following critical estimates and judgements reconsidered in this reporting period were:

- Revenue recognition - maintenance and repair contracts and warranties
- Income tax
- Control, joint control or significant influence over equity accounted investees
- Impairment of investments accounted for using the equity method
- Dependency on key suppliers
- Impairment of intangible assets
- Producing and development assets
- Exploration and evaluation assets
- Provisions - restoration

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SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

2. OPERATING SEGMENTS

RECOGNITION AND MEASUREMENT

Identification of reportable segments

The accounting policies used by the Group in reporting segments internally are the same as those described in the 2018 Annual Report.

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. 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.

<i>WesTrac</i>	WesTrac 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.
<i>Coates Hire</i>	Coates Hire is Australia's largest general 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.
<i>AllightSykes</i>	AllightSykes represents the Group's operations in the manufacture, assembly, sales and support of lighting towers, FG Wilson power generation and dewatering equipment as well as distribution of Perkins engines.
<i>Media investments</i>	Media investments relates to investments in listed and unlisted media organisations, including but not limited to Seven West Media Limited.
<i>Energy</i>	Energy relates to the Group's 11.2 per cent working interest in the Bivins Ranch area in Texas USA, the Group's wholly-owned interest in SGH Energy Pty Limited and the Group's equity accounted investment in Beach Energy Limited (Beach Energy).
<i>Other investments</i>	Other investments incorporates other listed investments and property.

The Group is domiciled in Australia and operates predominantly in Australia. Further details of other countries in which the Group operates is provided in this note.

Segment revenues are allocated based on the country in which the customer is located.

Segment non-current assets are allocated to countries based on where the assets are located.

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2. OPERATING SEGMENTS (CONTINUED)

	WesTrac ^(a)		Coates Hire		AllightSykes ^(a)		Media investments ^(b)		Energy		Other investments		Total	
	Dec 18	Dec 17	Dec 18	Dec 17	Dec 18	Dec 17	Dec 18	Dec 17	Dec 18	Dec 17	Dec 18	Dec 17	Dec 18	Dec 17
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Segment revenue														
Sales to external customers	1,487.8	1,193.9	492.6	156.6	40.8	40.3	-	-	4.0	2.4	1.3	4.0	2,026.5	1,397.2
Segment result														
Segment earnings before interest, income tax, depreciation and amortisation (EBITDA) ^(c)	164.0	115.5	175.6	68.6	1.5	2.1	41.5	51.9	78.0	22.5	15.0	18.2	475.6	278.8
Depreciation and amortisation	(13.9)	(14.4)	(73.7)	(28.1)	(0.5)	(0.7)	-	-	(1.4)	(0.9)	-	(0.1)	(89.5)	(44.2)
Segment earnings before interest and tax (EBIT)^(d)	150.1	101.1	101.9	40.5	1.0	1.4	41.5	51.9	76.6	21.6	15.0	18.1	386.1	234.6
Other segment information														
Share of results of equity accounted investees included in segment EBIT (excluding significant items) ^(e)	2.5	(0.6)	-	11.4	-	-	35.2	40.0	77.0	22.6	(0.6)	(0.2)	114.1	73.2
Impairment of assets recognised in profit or loss	-	-	-	-	-	-	(225.4)	(91.3)	-	(5.6)	-	-	(225.4)	(96.9)
Capital expenditure	(12.6)	(20.6)	(94.0)	(22.0)	(0.5)	-	-	-	(3.9)	(1.9)	-	-	(111.0)	(44.5)
	Dec 18	Jun 18	Dec 18	Jun 18	Dec 18	Jun 18	Dec 18	Jun 18	Dec 18	Jun 18	Dec 18	Jun 18	Dec 18	Jun 18
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Balance sheet														
Investments accounted for using the equity method	33.4	31.2	-	-	-	-	334.1	516.6	678.4	493.4	27.7	28.8	1,073.6	1,070.0
Other segment assets	1,790.5	1,761.3	2,068.8	2,054.8	42.2	51.9	173.9	137.6	449.8	442.5	350.5	354.0	4,875.7	4,802.1
Segment assets	1,823.9	1,792.5	2,068.8	2,054.8	42.2	51.9	508.0	654.2	1,128.2	935.9	378.2	382.8	5,949.3	5,872.1
Segment liabilities	(454.1)	(476.8)	(133.7)	(161.0)	(8.4)	(10.2)	-	-	(63.1)	(62.5)	(2.2)	(9.9)	(661.5)	(720.4)

(a) WesTrac 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 financial assets fair valued through other comprehensive income.

(c) Segment EBITDA comprises profit before depreciation and amortisation, net finance expense, income tax and significant items.

(d) Segment EBIT comprises profit before net finance expense, income tax and significant items.

(e) Segment EBITDA, EBIT and share of results of equity accounted investees excludes the share of results from equity accounted investees attributable to significant items.

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

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2. OPERATING SEGMENTS (CONTINUED)

ANALYSIS BY GEOGRAPHICAL AREA

	Segment revenue		Non-current assets ^(a)	
	Dec 18	Dec 17	Dec 18	Jun 18
	\$m	\$m	\$m	\$m
Australia	1,992.1	1,378.3	2,796.8	2,776.2
United Arab Emirates	13.6	9.3	2.6	2.6
Indonesia	10.1	2.6	10.6	10.4
United States of America	8.6	3.8	114.5	110.0
New Zealand	2.1	3.2	1.1	1.1
Total by geographical segment	2,026.5	1,397.2	2,925.6	2,900.3

(a) Non-current assets other than financial instruments and deferred tax assets. There are no employment benefit assets and rights arising under insurance contracts.

SEGMENT RECONCILIATIONS

	Dec 18	Dec 17
	\$m	\$m
Reconciliation of segment EBIT to profit before income tax per consolidated statement of profit or loss		
Segment earnings before interest and tax (EBIT)	386.1	234.6
Corporate operating costs	(11.3)	(11.1)
Transaction costs incurred	-	(1.3)
Revaluation of equity interest on acquisition of Coates Hire	-	14.5
Loss on sale of WesTrac China	-	(5.3)
Recycling of foreign currency translation reserve on sale of WesTrac China	-	79.9
Gain on conversion of convertible notes	28.9	-
Share of results from equity accounted investees attributable to significant items	-	3.0
Impairment of equity accounted investee	(225.4)	(91.3)
Fair value movement of derivatives	-	4.0
Impairment of non-current assets	-	(5.6)
Restructuring and redundancy costs	-	(0.1)
Net finance expense	(50.6)	(47.3)
Profit before income tax per consolidated statement of profit or loss	127.7	174.0

	Dec 18	Jun 18
	\$m	\$m
Reconciliation of segment operating assets to total assets per consolidated statement of financial position		
Segment operating assets	5,949.3	5,872.1
Corporate cash holdings	76.7	104.6
Derivative financial instruments (assets)	154.1	130.0
Assets held at corporate level	2.2	3.8
Assets held for sale	1.2	2.4
Total assets per consolidated statement of financial position	6,183.5	6,112.9

	Dec 18	Jun 18
	\$m	\$m
Reconciliation of segment operating liabilities to total liabilities per consolidated statement of financial position		
Segment operating liabilities	(661.5)	(720.4)
Interest bearing loans and borrowings - current	(0.6)	(118.1)
Interest bearing loans and borrowings - non-current	(2,197.8)	(2,022.6)
Current tax liability	(85.3)	(3.2)
Deferred tax liabilities	(260.3)	(259.3)
Derivative financial instruments (liabilities)	(42.5)	(111.5)
Liabilities held at corporate level	(51.0)	(42.5)
Total liabilities per consolidated statement of financial position	(3,299.0)	(3,277.6)

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SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
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3. SIGNIFICANT ITEMS

Profit before income tax includes the following income and expenses for which disclosure is relevant in explaining the underlying financial performance of the Group.

	Dec 18 \$m	Dec 17 \$m
CONTINUING OPERATIONS		
Gain on conversion of convertible notes	28.9	-
Impairment of equity accounted investee	(225.4)	(91.3)
Revaluation of equity interest on acquisition of Coates Hire	-	14.5
Loss on sale of WesTrac China	-	(5.3)
Recycling of foreign currency translation reserve on sale of WesTrac China	-	79.9
Share of results from equity accounted investees attributable to significant items	-	3.0
Impairment of non-current asset	-	(5.6)
Fair value movement of derivative financial instruments	-	4.0
Restructuring and redundancy costs	-	(0.1)
Acquisition transaction costs incurred	-	(1.3)
Total significant items before income tax	(196.5)	(2.2)
Income tax benefit on significant items	-	0.6
Total significant items - continuing operations	(196.5)	(1.6)

Gain on conversion of convertible notes relates to the fair value gain recognised on the conversion of the convertible notes following shareholder approval at the 2018 Annual General Meeting.

Impairment of equity accounted investee relates to the impairment of the Group's investment in the ordinary equity of Seven West Media Limited.

4. REVENUE AND EXPENDITURE

With effect from 1 July 2018, the Group has adopted AASB 15: Revenue from Contracts with Customers.

Accounting policy

Revenue from product sales

Revenue associated with the sale of goods is recognised when each performance obligation of the sale has been fulfilled and control of the goods has passed to the customer. Product and service warranties and training provided on new product sales are distinct performance obligations and part of the sale consideration is deferred and recognised when the performance obligation has been met.

Revenue from product support

Revenue from product support is recognised in the accounting period in which the services are rendered. Revenue from contracts is recognised when distinct performance obligations under the contract are met.

For maintenance and repair contracts (MARC)s, an assessment is made on a contract by contract basis, except where a portfolio approach is adopted. The portfolio approach is applied to a group of contracts (or performance obligations) with similar characteristics where it is reasonably expected that the effects on financial results are not materially different to the effects of applying the standard on a contract by contract basis. Under the portfolio approach the MARCs have been deemed as a distinct performance obligation to continuously make available a fleet of machinery to a customer. WesTrac's MARCs are assessed to consider whether modifications or extensions create a separate contract for services. These obligations are recognised in deferred income and taken to revenue as the future service is provided. MARC contracts continue to have critical assessment and judgement by management in preparing the assessment.

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4. REVENUE AND EXPENDITURE (CONTINUED)

Accounting policy (continued)

Revenue from hire of equipment

Hire of equipment revenue is recognised on receipt of equipment by the customer which is when control passes and the performance obligations are met. Revenue is recognised over the period of the hire agreement, which in the majority of cases is on a daily basis.

Revenue from sale of oil, gas and condensate

Revenue is derived from the sale of oil, gas and condensate and is recognised based on volumes sold under contracts with customers at the point in time where performance obligations are considered met. Generally, the performance obligation will be met when the product is delivered to the specified measurement point (gas) or point of loading/unloading (liquids).

Other revenue

Other revenue is recognised when all performance obligations have been met, including when a contractual entitlement exists and can be reliably measured. In the case of property sales, it is on completion of the contract and transfer of title.

	Dec 18 \$m	Dec 17 \$m
CONTINUING OPERATIONS		
REVENUE		
Product sales	460.5	350.6
Product support	1,071.8	885.0
Hire of equipment	488.9	155.2
Oil, gas and condensate sales	4.0	2.4
Other revenue	1.3	4.0
Total revenue	2,026.5	1,397.2
EXPENDITURE EXCLUDING DEPRECIATION AND AMORTISATION		
Materials cost of inventory sold and used in product sales and product support	(1,027.8)	(807.3)
Repairs, maintenance and consumables used on equipment hire	(75.6)	(19.7)
Employee benefits	(387.0)	(261.5)
Operating lease rental	(44.4)	(36.0)
Impairment of non-current asset	-	(5.6)
Other expenses	(171.8)	(115.1)
Total expenses excluding depreciation and amortisation	(1,706.6)	(1,245.2)

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5. NET FINANCE EXPENSE

	Dec 18 \$m	Dec 17 \$m
CONTINUING OPERATIONS		
FINANCE INCOME		
Interest income on bank deposits	1.1	2.6
Other	0.4	0.5
Total finance income	1.5	3.1
FINANCE EXPENSE		
Interest expense	(48.4)	(45.4)
Borrowing costs	(2.3)	(3.7)
Unwind of discount on provisions	(1.4)	(1.3)
Total finance expense	(52.1)	(50.4)
Net finance expense	(50.6)	(47.3)

6. INCOME TAX

	Dec 18 \$m	Dec 17 \$m
CONTINUING OPERATIONS		
INCOME TAX EXPENSE		
Current tax expense	(50.6)	(0.9)
Deferred tax expense	(9.3)	(14.9)
Adjustment for prior periods	(6.8)	-
Total income tax expense - continuing operations	(66.7)	(15.8)
RECONCILIATION BETWEEN TAX EXPENSE AND PRE-TAX STATUTORY PROFIT:		
Income tax using the domestic corporation tax rate 30%	(38.3)	(52.0)
Franked dividends	3.7	5.2
Share of equity accounted investees' net profit	34.2	22.9
Sale of WesTrac China	-	22.4
Non-assessable income	10.8	9.0
Non-deductible expenses	(70.3)	(27.4)
De-recognition of deferred tax assets	-	4.1
Under provided in prior years	(6.8)	-
Income tax expense - continuing operations	(66.7)	(15.8)
DEFERRED INCOME TAX RECOGNISED DIRECTLY IN OCI		
Relating to financial assets at fair value through other comprehensive income	(9.1)	(5.7)
Relating to cash flow hedge reserve	(0.6)	0.2
Total deferred income tax recognised directly in OCI	(9.7)	(5.5)
DISCONTINUED OPERATIONS		
INCOME TAX EXPENSE		
Deferred tax expense	-	(4.7)
Total income tax expense - discontinued operations	-	(4.7)
RECONCILIATION BETWEEN TAX EXPENSE AND PRE-TAX STATUTORY PROFIT:		
Income tax using the domestic corporation tax rate 30%	-	(4.7)
Income tax expense - discontinued operations	-	(4.7)

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7. EARNINGS PER SHARE

Profit or loss attributable to ordinary shareholders is stated after allocation of the portion of profit or loss attributable to holders of TELYS4 for the prior year.

	Dec 18 \$	Dec 17 \$
STATUTORY EARNINGS PER SHARE		
Basic		
From continuing operations	0.18	0.49
From discontinued operations	-	0.03
Total basic earnings per share	0.18	0.52
Diluted		
From continuing operations	0.18	0.49
From discontinued operations	-	0.03
Total diluted earnings per share	0.18	0.52

	6 months to Dec 18 \$m	6 months to Dec 17 \$m
EARNINGS RECONCILIATION BY CATEGORY OF SHARE		
Ordinary shares	60.3	156.3
TELYS4	-	11.6
Net profit attributable to equity holders of the Company	60.3	167.9

	Dec 18 million	Dec 17 million
WEIGHTED AVERAGE NUMBER OF SHARES		
Ordinary shares for basic earnings per share		
Issued shares as at 1 July	316.5	281.2
- Shares issued	-	35.3
- Conversion of TELYS4 shares into ordinary shares	22.9	-
Issued shares as at 31 December	339.4	316.5
Weighted average number of shares (basic) at 31 December^(a)	328.4	299.3
Effect of share options on issue - ordinary shares	15.7	0.7
Weighted average number of shares (diluted) at 31 December	344.1	300.0

(a) 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.

There were 15.7 million options that were exercisable, dilutive or anti-dilutive at December 2018 (December 17: 0.7 million).

Notes to the Consolidated Financial Statements

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7. EARNINGS PER SHARE (CONTINUED)

	Dec 18 \$	Dec 17 \$
UNDERLYING EARNINGS PER SHARE FROM CONTINUING OPERATIONS		
Basic		
From continuing operations	0.78	0.49
From discontinued operations	-	0.03
Total basic earnings per share	0.78	0.52
Diluted		
From continuing operations	0.75	0.49
From discontinued operations	-	0.03
Total diluted earnings per share	0.75	0.52

Underlying earnings per share from continuing and discontinued operations is a non-IFRS measure and is calculated as follows:

	Dec 18 \$m	Dec 17 \$m
UNDERLYING EARNINGS RECONCILIATION BY CATEGORY OF SHARE		
Net profit attributable to equity holders of the Company	60.3	167.9
Add: significant items (refer Note 3)	196.5	1.6
Underlying net profit attributable to equity holders of the Company	256.8	169.5
Underlying earnings allocated to category of share:		
Ordinary shares	256.8	157.9
TELYS4	-	11.6
Net underlying profit attributable to equity holders of the Company	256.8	169.5

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Dec 18 \$m	Jun 18 \$m
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		
Investments in associates		
Beach Energy Limited	678.4	493.4
Seven West Media Limited	334.1	516.6
Individually immaterial associates	33.4	31.2
Investments in joint ventures		
Individually immaterial joint ventures	27.7	28.8
Total investments accounted for using the equity method	1,073.6	1,070.0

Notes to the Consolidated Financial Statements

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

BEACH ENERGY LIMITED

On 14 November 2018, the Group's investment in Beach Energy Limited (Beach Energy) increased by three per cent following the acquisition of an additional 68.0 million shares. The Group has the ability to significantly influence, but not control or jointly control, the financial and operating decisions of Beach Energy through its investment and board representation and accordingly has classified its investment as an associate.

SEVEN WEST MEDIA LIMITED

The Group has classified its investment in Seven West Media as an associate as the Group, through its 41.0 per cent (June 2018: 41.0 per cent) 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. Given the 41.0 per cent ownership interest management continue to assess that the Group has significant influence, but not control, over Seven West Media. This reflects the conclusion that significant uncertainty exists in determining whether the Group's Key Management Personnel exerts de facto control over the significant operational decisions of Seven West Media given the historical level non-SGH related vote participation at AGMs and its majority independent board (the Group only has 3 out of 11 directors). The Group does not control Seven West Media and is therefore not required to consolidate Seven West Media at 31 December 2018.

Detailed in the table below are the Group's associates and joint ventures as at 31 December 2018. The country of incorporation is also their principal place of business.

Investee	Principal activities	Country of incorporation	Balance date	Ownership interest	
				Dec 18	Jun 18
ASSOCIATES					
Beach Energy Limited ^(a)	Oil and gas exploration, development, production	Australia	30 Jun	28.6%	25.6%
Energy Power Systems Australia Pty Ltd	Distribution and rental of CAT engine products	Australia	30 Jun	40.0%	40.0%
Impulse Screen Media Pty Limited	Technology	Australia	30 Jun	36.0%	40.0%
iSeekplant Pty Limited	Online services	Australia	30 Jun	19.9%	19.9%
Mo's Mobiles Pty Limited	Mobile phone retailer	Australia	30 Jun	25.0%	25.0%
Premier Capital Developments Pty Limited ^(b)	Property management	Australia	30 Jun	-	25.0%
Seven West Media Limited	Media	Australia	30 Jun	41.0%	41.0%
JOINT VENTURES					
Flagship Property Holdings Pty Limited ^(c)	Property management	Australia	31 Dec	45.8%	47.3%
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) On 14 November 2018, the Group acquired an additional 68.0 million shares in Beach Energy and the Group's interest in Beach Energy increased by three per cent to 28.6 per cent.

(b) In November 2018, the Group disposed of its interest in Premier Capital Developments as a result of a corporate restructure.

(c) In November 2018, the Group's interest in Flagship Property Holdings decreased to 45.8% as a result of a corporate restructure.

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8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

	Dec 18 \$m	Dec 17 \$m
SHARE OF INVESTEEES' NET PROFIT		
Investments in associates:		
Beach Energy Limited	77.0	23.0
Seven West Media Limited	35.2	41.1
Individually immaterial associates	2.7	(3.4)
Investments in joint ventures:		
Coates Group Holdings Pty Limited	-	14.0
Individually immaterial joint ventures	(0.8)	1.5
Share of net profit from equity accounted investees	114.1	76.2

The Group received cash dividends and distributions of \$6.3 million from its investments in equity accounted investees during the half-year ended 31 December 2018 (December 2017: \$16.8 million).

	Beach Energy		Seven West Media	
	Dec 18 \$m	Jun 18 \$m	Dec 18 \$m	Jun 18 \$m
MARKET VALUES OF LISTED INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD				
Book value	678.4	493.4	334.1	516.6
Market value	875.0	1,019.5	334.1	516.6

An impairment charge of \$225.4 million (December 2017: \$91.3 million) relating to the Group's investment in Seven West Media was recognised in impairment of equity accounted investees in profit or loss during the period.

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SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
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9. PRODUCING AND DEVELOPMENT ASSETS

	Dec 18	Jun 18
	\$m	\$m
PRODUCING AND DEVELOPMENT ASSETS		
At cost	246.7	240.3
Accumulated depreciation	(20.0)	(18.1)
Total producing and development assets	226.7	222.2

Producing and development assets comprise the Group's operating interests in oil and gas assets located in the United States of America and Australia.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

As at 31 December 2018, the Group performed an impairment review of its producing and development assets in accordance with *AASB 136: Impairment of Assets*. The review has not indicated any trigger events or indicator that the assets may be impaired, therefore no impairments have been recognised at 31 December 2018.

Producing and development asset valuations are based on expected production profile of reserves and resources and various estimates and assumptions. For the purpose of assessing impairment, the recoverable amount of the cash generating unit (CGU) are based on the fair value less costs of disposal using a discounted cash flow method (DCF).

Cash flow projections utilised for fair value less costs of disposal reflect the expected production profile of resources and cover a period to December 2040 for Longtom and 2060 for Bivins Ranch. The post tax discount rate applied was between 8.0 and 9.7 per cent (June 2018: 8.0 to 8.5 per cent).

10. EXPLORATION AND EVALUATION ASSETS

	Dec 18	Jun 18
	\$m	\$m
EXPLORATION AND EVALUATION ASSETS		
At cost	228.0	225.3
Accumulated impairment	(5.7)	(5.7)
Total exploration and evaluation assets	222.3	219.6

Exploration and evaluation assets are located in the Browse basin which is north-west of Australia and relate to the Crux AC/RL9 joint operation and the Echuca Shoals WA-377P exploration permit.

The Crux AC/RL9 project has been identified as a primary source of back fill gas supply to the Shell Operated Prelude floating liquefied natural gas facility (Prelude FLNG). The current concept for the Crux project is a Not Normally Manned Platform which will be tied back to the Prelude FLNG facility via an export pipeline. Both the Prelude FLNG and Crux AC/RL9 projects are operated by Shell Australia.

Following the execution of binding commercial terms with Prelude FLNG for tie-in and processing of Crux volumes, the Crux JV has commenced front-end engineering design (FEED) with final investment decision expected by mid 2020 enabling the project to be ready for start up by late 2024 to early 2025. The Group continues to work with Shell as Operator and fellow Crux AC/RL9 joint venture partners in progressing the project through the FEED process.

There are no facts or circumstances indicating an impairment of the asset under *AASB 6: Exploration for and Evaluation of Mineral Resources* at 31 December 2018.

Capitalised costs of \$5.7 million relating to the Group's Echuca Shoals WA-377P exploration permit were fully impaired during the prior year, with no further costs capitalised in the current period.

Notes to the Consolidated Financial Statements

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

11. NOTES TO THE CASH FLOW STATEMENT

	Dec 18 \$m	Dec 17 \$m
Reconciliation of profit for the period to net cash flows related to operating activities		
Profit after tax	61.0	168.6
Profit from discontinued operations	-	(10.4)
Income tax expense	66.7	15.8
Income taxes paid	(1.8)	(1.3)
Depreciation and amortisation:		
Property, plant and equipment	85.5	41.6
Producing and development assets	1.4	0.9
Intangible assets	2.7	1.8
Capitalised borrowing costs amortised	1.2	2.0
Share of results from equity accounted investees	(114.1)	(76.2)
Employee share movements in equity	(6.8)	0.2
Dividends received from equity accounted investees	6.3	16.8
Gain on sale of property, plant and equipment	(4.7)	(0.6)
Gain on sale of investments and derivative financial instruments	(3.3)	-
Fair value movement of derivatives	-	(4.0)
Gain on conversion of convertible note	(28.9)	-
Revaluation of equity interest on acquisition of Coates Hire	-	(14.5)
Loss on sale of WesTrac China	-	5.3
Recycling of foreign currency translation reserve on sale of WesTrac China	-	(79.9)
Acquisition transaction costs incurred	-	1.3
Impairment of equity accounted investee	225.4	91.3
Impairment of non current asset	-	5.6
Investing flows for property, plant and equipment adjustments	(5.3)	-
Unwind of interest on convertible note	3.9	-
Other	2.1	4.9
Movement in:		
Trade and other receivables	88.7	(1.0)
Inventories	(81.2)	(32.6)
Other assets	(16.5)	(26.2)
Trade and other payables/deferred income	(21.0)	(8.4)
Provisions and employee benefits	(29.4)	11.8
Net operating cash flows	231.9	112.8

Notes to the Consolidated Financial Statements

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

12. INTEREST BEARING LOANS AND BORROWINGS

	Dec 18 \$m	Jun 18 \$m
CURRENT		
Interest bearing liabilities	-	43.2
Non-interest bearing liabilities	-	-
Fixed term US dollar notes	-	74.4
Finance lease liabilities	0.6	0.5
	0.6	118.1
NON-CURRENT		
Interest bearing liabilities	1,316.0	1,164.9
Convertible notes	291.9	288.0
Fixed term US dollar notes	601.4	576.5
Less: capitalised borrowing costs net of accumulated amortisation	(12.2)	(7.2)
Finance lease liabilities	0.7	0.4
	2,197.8	2,022.6

On 21 August 2018, the Group successfully concluded the amendment and extension of its corporate syndicated loan facility. The facility remains unsecured and is supported by guarantees by the Company and certain subsidiaries within the Group. The facility limit has increased from \$900.0 million across three and five year tranches of \$400.0 million and \$900.0 million respectively.

At 31 December 2018, the Group had available undrawn borrowing facilities of \$671.0 million (June 2018: \$411.0 million).

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

\$m	Jun 18	Financing cash flows	Effect of exchange rates	Other	Dec 18
Interest bearing liabilities	1,208.1	107.9	-	-	1,316.0
Fixed term US dollar notes	650.9	(80.2)	30.7	-	601.4
Finance lease liabilities	0.9	0.4	-	-	1.3
Convertible notes	288.0	-	-	3.9	291.9
Capitalised borrowing costs	(7.2)	(6.2)	-	1.2	(12.2)
Total interest bearing loans and borrowings	2,140.7	21.9	30.7	5.1	2,198.4

Notes to the Consolidated Financial Statements

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

13. FINANCIAL INSTRUMENTS

OVERVIEW

Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values. Significant valuation matters are reported to the Group Audit & Risk Committee.

The Group uses various methods in estimating the fair value of a financial instrument. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 Fair value is calculated 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.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of listed equity securities are based on quoted market prices. For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs. Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include interest rate swaps and foreign exchange contracts not traded on a recognised exchange.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Notes to the Consolidated Financial Statements

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

13. FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments, carried at fair value, as well as the methods used to estimate the fair value are summarised below:

	Note	Level in fair value hierarchy	Dec 18 Carrying amount \$m	Dec 18 Fair value \$m	Jun 18 Carrying amount \$m	Jun 18 Fair value \$m
Financial assets measured at fair value						
Listed equity securities (excluding derivatives)		1	325.4	325.4	329.2	329.2
Unlisted equity securities		3	173.9	173.9	137.6	137.6
Forward foreign exchange contracts - used for hedging	14	2	3.0	3.0	2.8	2.8
Cross currency swap - used for hedging	14	2	151.1	151.1	126.9	126.9
Interest rate collars - used for hedging	14	2	-	-	0.3	0.3
			653.4	653.4	596.8	596.8
Financial assets not measured at fair value						
Cash and cash equivalents		-	76.7	76.7	104.6	104.6
Trade and other receivables		-	497.1	497.1	585.8	585.8
			573.8	573.8	690.4	690.4
Financial liabilities measured at fair value						
Forward foreign exchange contracts - used for hedging	14	2	8.1	8.1	22.3	22.3
Cross currency swap - used for hedging	14	2	34.4	34.4	27.5	27.5
Convertible note - conversion option	14	2	-	-	60.6	60.6
Interest rate collars - used for hedging	14	2	-	-	1.1	1.1
			42.5	42.5	111.5	111.5
Financial liabilities not measured at fair value						
Trade and other payables (excluding accruals)		-	234.5	234.5	273.5	273.5
Fixed term US dollar notes	12	2	601.4	663.8	650.9	725.6
Convertible note	12	2	291.9	301.1	288.0	291.7
Other borrowings	12	2	1,315.9	1,315.2	1,208.1	1,205.5
			2,443.7	2,514.6	2,420.5	2,496.3

There have been no transfers between different levels in the fair value hierarchy during the period.

Notes to the Consolidated Financial Statements

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

14. DERIVATIVE FINANCIAL INSTRUMENTS

	Dec 18 \$m	Jun 18 \$m
CURRENT ASSETS		
Forward foreign exchange contracts - cash flow hedges	3.0	2.8
	3.0	2.8
NON-CURRENT ASSETS		
Cross currency swaps - cash flow hedges	151.1	126.9
Other derivatives - cash flow hedges	-	0.3
	151.1	127.2
CURRENT LIABILITIES		
Forward foreign exchange contracts - cash flow hedges	(0.9)	(7.4)
	(0.9)	(7.4)
NON-CURRENT LIABILITIES		
Forward foreign exchange contracts and cross currency swaps - cash flow hedges	(7.2)	(14.9)
Cross currency interest rate swaps - fair value adjustment	(34.4)	(27.5)
Convertible note - embedded derivative	-	(60.6)
Other derivatives	-	(1.1)
	(41.6)	(104.1)
Net derivative financial instruments	111.6	18.5

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 in accordance with the Group's financial risk management policies. The Group also enters into equity derivatives.

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 as fair value through profit or loss.

Forward foreign exchange contracts

The Group has entered into forward foreign currency exchange contracts to hedge the US Dollar (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. The Group's 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 USD. 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 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.

Notes to the Consolidated Financial Statements

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

15. CAPITAL

	Dec 18 \$m	Jun 18 \$m
SHARE CAPITAL		
339,357,656 ordinary shares, fully paid (June 2018: 316,485,208)	2,858.7	2,431.4
nil TELYS4 preference shares, fully paid (June 2018: 4,963,640)	-	427.2
Convertible notes, not fully paid	31.7	-
412,129 treasury shares, fully paid (June 2018: 2,129)	(7.0)	-
Balance at end of the period	2,883.4	2,858.6
MOVEMENTS IN ORDINARY SHARES		
Balance at beginning of the period	2,431.4	2,046.0
Conversion of TELYS4 shares into ordinary shares	427.3	-
Shares issued under equity raise - October 2017 - 35.0 million	-	385.4
Balance at end of the period	2,858.7	2,431.4
MOVEMENTS IN PREFERENCE SHARES - TELYS4		
Balance at beginning of the period	427.2	427.2
Conversion of TELYS4 shares into ordinary shares	(427.2)	-
Balance at end of the period	-	427.2

The Company does not have authorised share capital or par value in respect of its shares. All issued shares are fully paid.

During the period, the Company acquired 0.5 million shares on market for \$9.1 million to satisfy employee share scheme obligations in future periods.

On 24 September 2018, the Company received shareholder approval to convert the TELYS4 shares into ordinary shares. Each TELYS4 share was converted into approximately 4.6 ordinary shares.

Convertible notes

On 5 March 2018, the Company issued 3,500 convertible notes (notes) at a nominal value of \$350.0 million and paying a cash coupon of 2.2 per cent per annum. The notes are listed on the Singapore Exchange and mature seven years from their issue date at their nominal value. Alternatively, they can be converted into ordinary shares at the holder's option at a conversion price of \$24 per ordinary share (subject to adjustments as stipulated in the terms of the convertible note). Shareholder approval was granted at the Company's 2018 Annual General Meeting in November 2018, thereby converting the derivative liability to shareholder equity. The total number of ordinary shares which will be issued if the convertible notes are converted is 14,583,333. At 31 December 2018, no notes had been converted.

Notes to the Consolidated Financial Statements

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

16. DIVIDENDS

	Date of payment	Franked / unfranked	Amount per share \$	Total \$m
DIVIDENDS PAID				
Ordinary shares - Final dividend in respect of 2018 year	8 Oct 18	Franked	0.21	66.5
Total dividends paid				66.5
DIVIDENDS PAID				
Ordinary shares - Final dividend in respect of 2017 year	6 Oct 17	Franked	0.21	59.1
Transferable Extendable Listed Yield Shares (TELYS4) - Dividend	30 Nov 17	Franked	2.3180	11.5
Total dividends paid				70.6

SUBSEQUENT EVENT

Current period interim dividend on ordinary shares proposed but not provided

Ordinary shares - Interim dividend in respect of 2019 year	18 Apr 19	Franked	0.21	71.3
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17. EVENTS SUBSEQUENT TO BALANCE DATE

Other than as outlined below, there has not arisen in the interval between 31 December 2018 and the date of this Report any event that would have had a material effect on the Consolidated Interim Financial Report as at 31 December 2018.

Disposal of shares in listed investment

On 7 February 2019, the Group partially disposed of an investment in a listed entity realising \$95.8 million. The carrying value of the investment at 31 December 2018 was \$85.5 million.

Movement in share prices of listed investments

Subsequent to period end, there has been movement in the share prices of listed investments and as a result, the value of the Group's investments have varied from what is presented in this interim financial report. The market value of listed investments at 19 February 2019 compared to their market value at 31 December 2018 is outlined below.

	Market value	
	19 Feb 19 \$m	31 Dec 18 \$m
Listed equity securities ^(a)	270.6	325.4
Listed investments accounted for using the equity method	1,603.5	1,209.1
Total listed investments	1,874.1	1,534.5

(a) The movement in the listed equity securities includes a reduction of \$85.5 million following the partial sale of a listed investment offset by a \$30.7 million fair value gain.

18. RELATED PARTY TRANSACTIONS

Arrangements with related parties continue to be in place. For details of these arrangements refer to the Remuneration Report and Note 33 of the 2018 Annual Report.

The WesTrac Group had previously entered into a number of leases for premises owned by related parties. During the period, the WesTrac Group defeased all outstanding lease obligations. The majority of property leases are now with arms-length parties.

There has not been any other substantial related party transactions during the period.

Directors' Report

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

The Directors of Seven Group Holdings Limited (the Company) are pleased to present their report together with the consolidated financial statements, comprising the Company and its subsidiaries (the Group), for the half-year ended 31 December 2018 and the review report thereon.

DIRECTORS

The Directors of Seven Group Holdings Limited at any time during or since the end of the half-year are:

NAME	PERIOD OF DIRECTORSHIP
EXECUTIVE	
Kerry Matthew Stokes AC (Executive Chairman)	Director and Executive Chairman since April 2010
Ryan Kerry Stokes (Managing Director & Chief Executive Officer)	Director since February 2010 and Managing Director & Chief Executive Officer since July 2015
Bruce Ian McWilliam (Commercial Director)	Director since April 2010
NON-EXECUTIVE	
Annabelle Chaplain	Director since November 2015
Terry James Davis	Director since June 2010
Christopher John Mackay	Director since June 2010
David Ian McEvoy	Director since May 2015
Warwick Leslie Smith AO	Director since September 2014
Richard Anders Uechtritz	Director since June 2010

REVIEW OF RESULTS AND OPERATIONS

A review of operations and of the results of those operations is attached and forms part of this Report.

CHANGE OF REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

The Registered Office and Principal Place of Business has changed from 30 November 2018.

Street address	Postal address
Level 30, 175 Liverpool Street Sydney NSW 2000	PO Box 745 Darlinghurst NSW 1300

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set out on page 30 and forms part of the Directors' Report for the half-year ended 31 December 2018.

ROUNDING OFF

The Company is of a kind referred to in ASIC Instrument 2016/191 and in accordance with that Instrument, amounts in the Directors' Report and the half-year Financial Report are rounded off to the nearest whole number of million of dollars and one place of decimals representing hundreds of thousands of dollars unless otherwise stated.

Signed in accordance with a resolution of the Directors



KM Stokes AC
Executive Chairman

Sydney, 20 February 2019

The Board of Directors
Seven Group Holdings Limited
Level 30, 175 Liverpool Street
Sydney NSW 2000

20 February 2019

Dear Board Members

Seven Group Holdings Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Seven Group Holdings Limited.

As lead audit partner for the review of the financial statements of Seven Group Holdings Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

JL Gorton

JL Gorton
Partner
Chartered Accountant

Directors' Declaration

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

In the opinion of the Directors of Seven Group Holdings Limited (the Company):

1. the consolidated financial statements and notes set out on pages 5 to 28 are in accordance with the *Corporations Act 2001* including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
 - (b) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



KM Stokes AC
Executive Chairman

Sydney, 20 February 2019

Independent Auditor's Review Report to the Members of Seven Group Holdings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Seven Group Holdings Limited (the "Company"), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the half-year then ended, selected explanatory notes, and the directors' declaration. The consolidated Group comprises the Company (Seven Group Holdings Limited) and the companies it controlled at the half-year's end or from time to time during the financial period.

Directors' Responsibility for the Half-Year Financial Report

The Directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Seven Group Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of Seven Group Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Seven Group Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

JL Gorton

JL Gorton
Partner
Chartered Accountants
Sydney, 20 February 2019