

19 February 2020

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

***By electronic lodgment***

Total Pages: 37 (including covering letter)

Dear Sir / Madam

**HALF YEAR FINANCIAL REPORT**

Following is the Appendix 4D and Half Year Financial Report for the half year ended 31 December 2019.

Yours faithfully

**For and on behalf of Seven Group Holdings**



**Warren Coatsworth**  
Company Secretary



# LEADING THE WAY FORWARD

Results for the half-year ended 31 December 2019

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## CORPORATE DIRECTORY

### DIRECTORS

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

### COMPANY SECRETARY

Warren Coatsworth

### REGISTERED OFFICE

Seven Group Holdings Limited  
ABN: 46 142 003 469  
Level 30, 175 Liverpool Street  
Sydney NSW 2000

### SHARE REGISTRY

Boardroom Pty Limited  
Level 12, Grosvenor Place  
225 George Street  
Sydney NSW 2000

### AUDITOR

Deloitte Touche Tohmatsu  
Grosvenor Place  
225 George Street  
Sydney NSW 2000

### KEY OPERATING BUSINESSES

WesTrac WA  
128 – 136 Great Eastern Highway  
South Guildford WA 6055  
Ph: (08) 9377 9444

WesTrac NSW  
1 WesTrac Drive  
Tomago NSW 2322  
Ph: (02) 4964 5000

WesTrac ACT  
78 Sheppard Street  
Hume ACT 2620  
Ph: (02) 6290 4500

Coates Hire  
Level 6, 241 O'Riordan Street  
Mascot NSW 2020  
Ph: 13 15 52

AllightSykes WA  
12 Hoskins Road  
Landsdale WA 6065  
Ph: (08) 9302 7000

AllightSykes NSW  
42 Munibung Road  
Cardiff NSW 2285  
Ph: (02) 4954 1400

SGH Energy  
Level 5, 160 Harbour Esplanade  
Docklands VIC 3008  
Ph: (03) 8628 7277

# 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 2019

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

<b>REPORTED</b>				<b>\$m</b>
Revenue from ordinary activities	up	11.66%	to	2,262.8
Net profit from ordinary activities after income tax attributable to members	down	26.83%	to	37.9
Net profit for period attributable to members	down	26.83%	to	37.9

<b>UNDERLYING</b>				<b>\$m</b>
Revenue from ordinary activities	up	11.66%	to	2,262.8
Net profit before net finance expense and income tax	up	6.97%	to	417.6
Net profit from ordinary activities after income tax attributable to members excluding significant items	up	3.16%	to	254.7

## DIVIDENDS

<b>Ordinary shares</b>	Amount per security	Franked amount per security
Interim	21 cents	21 cents
Record date for determining entitlements to the dividend		5.00pm on 26 March 2020
Date the interim dividend is payable		20 April 2020

## NET TANGIBLE ASSET BACKING

Net tangible asset backing per ordinary share: \$3.46 (December 2018 restated<sup>^</sup>: \$3.63).

This has been calculated by dividing the net assets attributable to equity holders of the Company less intangible assets by the number of ordinary shares at 31 December 2019.

## COMMENTARY ON RESULTS

Detailed commentary on the results for the period is contained in the press release dated 19 February 2020 accompanying this Report. This Report should be read in conjunction with the 2019 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.

<sup>^</sup> Certain amounts have been restated following the adoption of AASB 16: Leases (AASB 16). Refer to Note 1(A) for further detail. The Right of use assets and Lease liabilities recognised on the adoption of AASB 16 have been included in the calculation of Net tangible assets.

# 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 2019

## RESULTS FOR ANNOUNCEMENT TO THE MARKET UNDERLYING TRADING PERFORMANCE

	Underlying trading performance <sup>(a)</sup>		Less: Significant items <sup>(b)</sup>		Statutory results (as reported)	
	Restated <sup>^</sup>		Restated <sup>^</sup>		Restated <sup>^</sup>	
	Dec 19	Dec 18	Dec 19	Dec 18	Dec 19	Dec 18
	\$m	\$m	\$m	\$m	\$m	\$m
Revenue	2,262.8	2,026.5	-	-	2,262.8	2,026.5
Gain on conversion of convertible note	-	-	-	(28.9)	-	28.9
Other income	35.9	30.4	-	-	35.9	30.4
Share of results from equity accounted investees	112.4	112.7	55.9	-	56.5	112.7
Impairment of equity accounted investee	-	-	56.8	224.0	(56.8)	(224.0)
Impairment of producing and development asset	-	-	104.1	-	(104.1)	-
Expenses excluding depreciation and amortisation	(1,863.5)	(1,653.6)	-	-	(1,863.5)	(1,653.6)
<b>Profit before depreciation, amortisation, net finance expense and income tax</b>	<b>547.6</b>	<b>516.0</b>	<b>216.8</b>	<b>195.1</b>	<b>330.8</b>	<b>320.9</b>
Depreciation and amortisation	(130.0)	(125.6)	-	-	(130.0)	(125.6)
<b>Profit before net finance expense and income tax</b>	<b>417.6</b>	<b>390.4</b>	<b>216.8</b>	<b>195.1</b>	<b>200.8</b>	<b>195.3</b>
Net finance expense	(76.1)	(79.7)	-	-	(76.1)	(79.7)
<b>Profit before income tax</b>	<b>341.5</b>	<b>310.7</b>	<b>216.8</b>	<b>195.1</b>	<b>124.7</b>	<b>115.6</b>
Income tax expense	(85.8)	(63.1)	-	-	(85.8)	(63.1)
<b>Profit for the period</b>	<b>255.7</b>	<b>247.6</b>	<b>216.8</b>	<b>195.1</b>	<b>38.9</b>	<b>52.5</b>
<b>Profit for the period attributable to:</b>						
Equity holders of the Company	254.7	246.9	216.8	195.1	37.9	51.8
Non-controlling interest	1.0	0.7	-	-	1.0	0.7
<b>Profit for the period</b>	<b>255.7</b>	<b>247.6</b>	<b>216.8</b>	<b>195.1</b>	<b>38.9</b>	<b>52.5</b>
<b>EARNINGS PER SHARE (EPS)</b>	<b>\$</b>	<b>\$</b>			<b>\$</b>	<b>\$</b>
<b>Ordinary shares</b>						
Basic earnings per share	0.75	0.75			0.11	0.16
Diluted earnings per share	0.75	0.72			0.11	0.15

<sup>^</sup> Amounts have been restated following the adoption of AASB 16: Leases. Refer to Note 1(A) for further detail.

(a) Underlying trading performance is comprised of Statutory results less significant items. Underlying trading performance is separately disclosed and reconciled to statutory performance to assist users in understanding the financial performance of the Group. Underlying trading performance measures are non-International Financial Reporting Standards (IFRS) measures and have not been subject to audit or review.

(b) Significant items are disclosed in Note 3.

Refer to the Consolidated Interim Financial Report for detailed 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 2019

		Restated <sup>^</sup>	
	Note	Dec 19 \$m	Dec 18 \$m
Revenue	4	2,262.8	2,026.5
<b>OTHER INCOME</b>			
Dividend income		4.6	12.3
Other		31.3	18.1
<b>Total other income</b>		<b>35.9</b>	<b>30.4</b>
Share of results from equity accounted investees	8	56.5	112.7
Gain on conversion of convertible note	3	-	28.9
Impairment of equity accounted investee	3	(56.8)	(224.0)
Impairment of producing and development asset	3	(104.1)	-
Expenses excluding depreciation and amortisation	4	(1,863.5)	(1,653.6)
<b>Profit before depreciation and amortisation, net finance expense and income tax</b>		<b>330.8</b>	<b>320.9</b>
Depreciation and amortisation		(130.0)	(125.6)
<b>Profit before net finance expense and income tax</b>		<b>200.8</b>	<b>195.3</b>
Finance income	5	0.6	1.5
Finance expense	5	(76.7)	(81.2)
<b>Net finance expense</b>		<b>(76.1)</b>	<b>(79.7)</b>
<b>Profit before income tax</b>		<b>124.7</b>	<b>115.6</b>
Income tax expense	6	(85.8)	(63.1)
<b>Profit for the period</b>		<b>38.9</b>	<b>52.5</b>
<b>Profit for the period attributable to:</b>			
Equity holders of the Company		37.9	51.8
Non-controlling interest		1.0	0.7
<b>Profit for the period</b>		<b>38.9</b>	<b>52.5</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Net change in fair value of financial assets at fair value through other comprehensive income		(46.3)	32.6
Impact of transition to AASB 9 and AASB 15		-	(0.7)
Income tax relating to items that will not be reclassified subsequently to profit or loss	6	11.9	(9.1)
<b>Total items that will not be reclassified subsequently to profit or loss</b>		<b>(34.4)</b>	<b>22.8</b>
<b>Items that may be reclassified subsequently to profit or loss</b>			
Cash flow hedges: effective portion of changes in fair value		9.5	2.0
Foreign currency differences for foreign operations		2.1	5.4
Income tax relating to items that may be reclassified subsequently to profit or loss	6	(3.0)	(0.6)
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>8.6</b>	<b>6.8</b>
<b>Total comprehensive income for the period</b>		<b>13.1</b>	<b>82.1</b>
<b>Total comprehensive income for the period attributable to:</b>			
Equity holders of the Company		12.1	81.4
Non-controlling interest		1.0	0.7
<b>Total comprehensive income for the period</b>		<b>13.1</b>	<b>82.1</b>
<b>EARNINGS PER SHARE (EPS)</b>		<b>\$</b>	<b>\$</b>
Basic earnings per share	7	0.11	0.16
Diluted earnings per share	7	0.11	0.15

<sup>^</sup> Amounts have been restated following the adoption of AASB 16: Leases. Refer to Note 1(A) for further detail.

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

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
AS AT 31 DECEMBER 2019

	Note	Dec 19 \$m	Restated <sup>^</sup> Jun 19 \$m
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		79.6	78.1
Trade and other receivables		756.1	700.4
Inventories		871.0	803.6
Other current assets		36.9	29.2
Derivative financial instruments	15	2.2	0.7
Assets held for sale		2.2	2.1
<b>Total current assets</b>		<b>1,748.0</b>	<b>1,614.1</b>
<b>NON-CURRENT ASSETS</b>			
Other receivables		-	2.5
Investments accounted for using the equity method	8	1,072.9	1,086.6
Other financial assets		334.9	376.2
Right of use assets	9	640.0	658.5
Property, plant and equipment		978.1	910.3
Producing and development assets	10	124.9	227.3
Exploration and evaluation assets	11	232.3	226.9
Intangible assets		1,624.6	1,624.4
Derivative financial instruments	15	177.3	172.5
<b>Total non-current assets</b>		<b>5,185.0</b>	<b>5,285.2</b>
<b>Total assets</b>		<b>6,933.0</b>	<b>6,899.3</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		416.5	404.7
Lease liabilities	9	48.9	47.5
Interest bearing loans and borrowings	13	73.7	30.3
Deferred income		148.8	128.1
Current tax liability		33.7	79.3
Provisions		19.0	22.9
Employee benefits		74.5	72.9
Derivative financial instruments	15	1.5	0.4
<b>Total current liabilities</b>		<b>816.6</b>	<b>786.1</b>
<b>NON-CURRENT LIABILITIES</b>			
Other payables		1.2	4.7
Lease liabilities	9	804.1	813.1
Interest bearing loans and borrowings	13	2,105.6	2,043.9
Deferred tax liabilities		256.5	238.9
Deferred income		-	2.0
Provisions		64.6	63.5
Employee benefits		15.6	15.8
Derivative financial instruments	15	55.8	62.0
<b>Total non-current liabilities</b>		<b>3,303.4</b>	<b>3,243.9</b>
<b>Total liabilities</b>		<b>4,120.0</b>	<b>4,030.0</b>
<b>Net assets</b>		<b>2,813.0</b>	<b>2,869.3</b>
<b>EQUITY</b>			
Contributed equity	16	2,887.9	2,883.4
Reserves		(844.5)	(816.1)
Retained earnings		756.3	789.7
<b>Total equity attributable to equity holders of the Company</b>		<b>2,799.7</b>	<b>2,857.0</b>
Non-controlling interest		13.3	12.3
<b>Total equity</b>		<b>2,813.0</b>	<b>2,869.3</b>

<sup>^</sup> Amounts have been restated following the adoption of AASB 16: Leases or due to management reassessment. Refer to Note 1 for further detail.

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 2019

HALF-YEAR ENDED 31 DECEMBER 2019	Note	Contributed equity \$m	Reserves \$m	Retained earnings \$m	Total \$m	Non-controlling interest \$m	Total equity \$m
<b>Balance as at 1 July 2019 (as reported)</b>		<b>2,883.4</b>	<b>(816.1)</b>	<b>932.1</b>	<b>2,999.4</b>	<b>12.3</b>	<b>3,011.7</b>
Impact of transition to AASB 16	1(A)	-	-	(142.4)	(142.4)	-	(142.4)
<b>Balance as at 1 July 2019 (restated)^</b>		<b>2,883.4</b>	<b>(816.1)</b>	<b>789.7</b>	<b>2,857.0</b>	<b>12.3</b>	<b>2,869.3</b>
Profit for the period		-	-	37.9	37.9	1.0	38.9
Net change in fair value of financial assets measured at fair value through OCI		-	(46.3)	-	(46.3)	-	(46.3)
Cash flow hedges: effective portion of changes in fair value		-	9.5	-	9.5	-	9.5
Foreign currency differences for foreign operations		-	2.1	-	2.1	-	2.1
Income tax on items of OCI		-	8.9	-	8.9	-	8.9
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>(25.8)</b>	<b>37.9</b>	<b>12.1</b>	<b>1.0</b>	<b>13.1</b>
<b>Transactions with owners recognised directly in equity</b>							
Ordinary dividends paid	17	-	-	(71.3)	(71.3)	-	(71.3)
Shares vested and transferred to employees		4.5	(4.5)	-	-	-	-
Share based payments		-	1.9	-	1.9	-	1.9
<b>Total distributions to owners</b>		<b>4.5</b>	<b>(2.6)</b>	<b>(71.3)</b>	<b>(69.4)</b>	<b>-</b>	<b>(69.4)</b>
<b>Total movement in equity for the period</b>		<b>4.5</b>	<b>(28.4)</b>	<b>(33.4)</b>	<b>(57.3)</b>	<b>1.0</b>	<b>(56.3)</b>
<b>Balance as at 31 December 2019</b>		<b>2,887.9</b>	<b>(844.5)</b>	<b>756.3</b>	<b>2,799.7</b>	<b>13.3</b>	<b>2,813.0</b>

HALF-YEAR ENDED 31 DECEMBER 2018

<b>Balance as at 1 July 2018 (as reported)</b>		<b>2,858.6</b>	<b>(887.8)</b>	<b>853.2</b>	<b>2,824.0</b>	<b>11.3</b>	<b>2,835.3</b>
Impact of transition to AASB 16	1(A)	-	-	(126.1)	(126.1)	-	(126.1)
<b>Balance as at 1 July 2018 (restated)^</b>		<b>2,858.6</b>	<b>(887.8)</b>	<b>727.1</b>	<b>2,697.9</b>	<b>11.3</b>	<b>2,709.2</b>
Profit for the period (restated)^		-	-	51.8	51.8	0.7	52.5
Impact of transition to AASB 9 and AASB 15		-	-	(0.7)	(0.7)	-	(0.7)
Net change in fair value of financial assets measured at fair value through OCI		-	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 OCI		-	(9.7)	-	(9.7)	-	(9.7)
<b>Total comprehensive income for the period (restated)^</b>		<b>-</b>	<b>30.3</b>	<b>51.1</b>	<b>81.4</b>	<b>0.7</b>	<b>82.1</b>
<b>Transactions with owners recognised directly in equity</b>							
Ordinary dividends paid	17	-	-	(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
<b>Total distributions to owners</b>		<b>24.8</b>	<b>0.3</b>	<b>(66.5)</b>	<b>(41.4)</b>	<b>-</b>	<b>(41.4)</b>
<b>Total movement in equity for the period</b>		<b>24.8</b>	<b>30.6</b>	<b>(15.4)</b>	<b>40.0</b>	<b>0.7</b>	<b>40.7</b>
<b>Balance as at 31 December 2018 (restated)^</b>		<b>2,883.4</b>	<b>(857.2)</b>	<b>711.7</b>	<b>2,737.9</b>	<b>12.0</b>	<b>2,749.9</b>

^ Amounts have been restated following the adoption of AASB 16: Leases. Refer to Note 1(A) for further detail.

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 2019

		Dec 19	Restated <sup>^</sup> Dec 18
	Note	\$m	\$m
<b>CASH FLOWS RELATED TO OPERATING ACTIVITIES</b>			
Receipts from customers		2,532.3	2,246.1
Payments to suppliers and employees		(2,238.7)	(1,940.3)
Dividends and distributions received from equity accounted investees	8	7.3	6.3
Other dividends received		21.6	17.7
Interest and other items of a similar nature received		0.7	1.6
Interest and other costs of finance paid		(68.8)	(73.3)
Income taxes paid		(106.6)	(1.8)
<b>Net operating cash flows</b>	<b>12</b>	<b>147.8</b>	<b>256.3</b>
<b>CASH FLOWS RELATED TO INVESTING ACTIVITIES</b>			
Payments for purchases of property, plant and equipment		(168.0)	(105.5)
Proceeds from sale of property, plant and equipment		21.1	13.8
Payments for purchase of intangible assets		(3.7)	(2.2)
Payments for production, development and exploration assets		(5.6)	(3.9)
Payments for other investments		(2.1)	(8.0)
Proceeds from sale of other financial assets		3.7	1.9
Proceeds from sale of shares in equity accounted investees		-	1.0
Consideration for business combination, net of cash acquired		(0.2)	(1.6)
Acquisition of equity accounted investees		-	(111.4)
Loans and deposits received		7.2	0.4
<b>Net investing cash flows</b>		<b>(147.6)</b>	<b>(215.5)</b>
<b>CASH FLOWS RELATED TO FINANCING ACTIVITIES</b>			
Ordinary dividends paid	17	(71.3)	(66.5)
Proceeds from borrowings		426.0	246.6
Repayment of borrowings		(325.5)	(224.7)
Repayment of lease liabilities		(27.4)	(24.4)
Transaction costs on equity conversion		-	(0.3)
<b>Net financing cash flows</b>		<b>1.8</b>	<b>(69.3)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2.0</b>	<b>(28.5)</b>
Cash and cash equivalents at beginning of the period		78.1	104.6
Effect of exchange rate changes on cash and cash equivalents		(0.5)	0.6
<b>Cash and cash equivalents at end of the period</b>		<b>79.6</b>	<b>76.7</b>

<sup>^</sup> Amounts have been restated following the adoption of AASB 16: Leases. Refer to Note 1(A) for further detail.

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 2019

## 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 2019 (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 19 February 2020.

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 2019 Annual Report and considered with any public announcements made by the Company during the half-year ended 31 December 2019 in accordance with the continuous disclosure obligations of the ASX Listing rules. A copy of the 2019 Annual Report is available from the Company on request or at [www.sevengroup.com.au](http://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 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.

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

- the Group has applied AASB 16: Leases under the full retrospective approach with an effective date of 1 July 2019. Comparative information is restated as at 1 July 2018 as if the standard always applied. Refer to Note 1(A) for further detail.
- Management have reassessed the methodology associated with prior period calculations of work-in-progress. This has resulted in an increase of \$128.2 million in the valuation of Contract Assets (within Trade and other receivables) and a corresponding \$128.2 million decrease in the valuation of Inventory. The net impact of these adjustments is nil.

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 2019 Annual Report.

### (A) NEW OR AMENDED ACCOUNTING STANDARDS

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.

- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures;
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle; and,
- AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments.

While these Amendments introduce new disclosure requirements, they do not materially affect the Group's accounting policies or any of the amounts recognised in 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 2019

## 1. BASIS OF PREPARATION (CONTINUED)

### AASB 16: LEASES

The Group has applied AASB 16 (as issued by the AASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right of use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 9. The impact of the adoption of AASB 16 on the Group's consolidated financial statements is described below.

### Prior period re-classifications

AASB 16 is effective for the accounting period commencing 1 July 2019. The Group applied AASB 16 using the full retrospective approach, with comparatives restated from the transition date of 1 July 2018. At the transition date, any difference between the right of use asset and lease liability after accounting for tax, is recognised in opening retained earnings.

Following the adoption of AASB 16, the Group now presents right of use assets and lease liabilities on the face of the balance sheet. Assets previously held under finance leases have been reclassified from 'Property, plant and equipment' to 'Right of use' assets and the associated Lease liability has been reclassified from 'Borrowings' to 'Lease liability'.

### Impact on application

AASB 16 requires lessees to recognise right of use assets and lease liabilities on balance sheet for all leases, except short term and low value asset leases. At commencement of the lease, the lease liability equals the present value of future lease payments and the right of use asset equals the lease liability adjusted for any payments already made, lease incentives, initial direct costs and any provision for dilapidation or restoration costs.

The Group applied the practical expedient in AASB 16 that enables the Group to grandfather its previous assessments made as to whether a lease met the definition of a lease in terms of the previous leases standard (AASB 117) and related interpretations, and therefore that it would not be required to reassess whether contracts were, or contained leases under AASB 16 at the date of transition on 1 July 2019. The Group has elected to recognise payments for short term leases and leases of low value AASB 16 assets on a straight-line basis as an expense in the income statement.

AASB 16 has a significant impact on reported assets, liabilities and the income statement of the Group, as well as the classification of cash flows relating to lease contracts. The standard impacts a number of key measures such as net profit after tax, earnings per share, earnings before interest and tax and cash generated from operations.

The rental charge for operating leases under AASB 117 Leases is replaced by depreciation of the right of use asset and interest on the lease liability under AASB 16 Leases. The depreciation charge on the right of use asset is therefore reported as part of earnings before interest and tax with the finance expense on the lease liability being reported below this line, increasing earnings before interest and tax.

Depreciation is charged on a straight line basis, however, interest is charged on outstanding lease liabilities and therefore reduces over the life of the lease. As a result the impact on the income statement is highly dependent on average lease maturity. For an immature portfolio depreciation and interest are higher than the rental charge they replace resulting in a decrease to net profit after tax. For a mature portfolio, they are lower resulting in an increase to net profit after tax. The Group's property leases which represents, by value, the largest part of the Group's lease portfolio, on transition is relatively immature. AASB 16 therefore results in a decrease to the Group's net profit after tax and earnings per share.

AASB 16 has no impact on total cash flow or cash and cash equivalents at the end of any period. Cash generated from operations and free cash flow measures increase as operating lease rental payments are no longer recognised as operating cash outflows. Cash outflows are instead split between interest paid (within operating cash flows) and repayments of obligations under leases (within financing cash flows), which both increase.

# Notes to the Consolidated Financial Statements

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

## 1. BASIS OF PREPARATION (CONTINUED)

	Dec 19	Dec 18
	\$m	\$m
<b>IMPACT ON PROFIT FOR THE PERIOD</b>		
Increase in depreciation of right of use asset	(38.2)	(36.0)
Increase in finance expense	(28.5)	(29.1)
Decrease in other expenses	55.7	53.0
Income tax	3.1	3.6
Decrease in profit for the period	<b>(7.9)</b>	<b>(8.5)</b>

The impact on the share of results from equity accounted investees in the current period was an increase of \$1.1 million (December 2018: decrease of \$1.4 million). Due to the valuation of the Group's equity accounted investments this results in a corresponding increase or decrease in the impairment of equity accounted investee. The net impact on Group's profit or loss for the period is nil (December 2018: nil).

	Dec 19	Dec 18
	\$	\$
<b>IMPACT ON EARNINGS PER SHARE</b>		
Basic	(0.02)	(0.02)
Diluted	(0.02)	(0.03)

	Previously reported \$m	Adjustment \$m	Restated \$m
<b>IMPACT ON BALANCE SHEET AS AT 1 JULY 2018</b>			
Property, plant and equipment	835.6	(0.9)	834.7
Right of use assets	-	689.4	689.4
Other current assets	27.5	(2.7)	24.8
<b>Net impact on total assets</b>		<b>685.8</b>	
Interest bearing loans and borrowings	2,140.7	(0.8)	2,139.9
Lease liabilities	-	869.7	869.7
Provisions	134.3	(3.0)	131.3
Deferred tax liability	259.3	(54.0)	205.3
<b>Net impact on total liabilities</b>		<b>811.9</b>	
<b>Retained earnings</b>		<b>(126.1)</b>	
<b>IMPACT ON BALANCE SHEET AS AT 30 JUNE 2019</b>			
Property, plant and equipment	911.9	(1.6)	910.3
Right of use assets	-	658.5	658.5
Other current assets	32.1	(2.9)	29.2
<b>Net impact on total assets</b>		<b>654.0</b>	
Interest bearing loans and borrowings	2,075.7	(1.5)	2,074.2
Lease liabilities	-	860.6	860.6
Provisions	88.1	(1.7)	86.4
Deferred tax liability	299.9	(61.0)	238.9
<b>Net impact on total liabilities</b>		<b>796.4</b>	
<b>Retained earnings</b>		<b>(142.4)</b>	

# Notes to the Consolidated Financial Statements

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

## 1. BASIS OF PREPARATION (CONTINUED)

	As if AASB 117		Presented
	still applied	Adjustments	
	\$m	\$m	\$m
<b>IMPACT ON BALANCE SHEET AS AT 31 DECEMBER 2019</b>			
Property, plant and equipment	980.2	(2.1)	978.1
Right of use assets	-	640.0	640.0
Other current assets	39.8	(2.9)	36.9
<b>Net impact on total assets</b>		<b>635.0</b>	
Obligations under finance leases	1.9	(1.9)	-
Lease liabilities	-	853.0	853.0
Accrued lease costs	0.1	(0.1)	-
Provisions	85.2	(1.6)	83.6
Deferred tax liability	320.6	(64.1)	256.5
<b>Net impact on total liabilities</b>		<b>785.3</b>	
<b>Retained earnings</b>		<b>(150.3)</b>	

### (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 2019.

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

- Revenue recognition - maintenance and repair contracts (MARC)
- Income tax
- Inventory valuation
- 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
- Valuation of Right of use assets and Lease liabilities
- Environmental risk and regulation

# Notes to the Consolidated Financial Statements

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

## 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 2019 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.

*WesTrac* 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.

*Coates Hire* 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.

*AllightSykes* 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.

*Media investments* Media investments relates to investments in listed and unlisted media organisations, including but not limited to Seven West Media Limited.

*Energy* 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).

*Other investments* 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.

# Notes to the Consolidated Financial Statements

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	WesTrac <sup>(a)</sup>		Coates Hire <sup>(a)</sup>		AllightSykes <sup>(a)</sup>		Media investments <sup>(b)</sup>		Energy		Other investments		Total	
	Restated <sup>^</sup>		Restated <sup>^</sup>		Restated <sup>^</sup>		Restated <sup>^</sup>		Restated <sup>^</sup>		Restated <sup>^</sup>		Restated <sup>^</sup>	
	Dec 19	Dec 18	Dec 19	Dec 18	Dec 19	Dec 18	Dec 19	Dec 18	Dec 19	Dec 18	Dec 19	Dec 18	Dec 19	Dec 18
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Segment revenue</b>														
Sales to external customers	1,712.8	1,487.8	504.3	492.6	41.2	40.8	-	-	2.1	4.0	2.4	1.3	2,262.8	2,026.5
<b>by geographic segment</b>														
Australia	1,712.8	1,487.8	495.4	482.1	29.7	23.8	-	-	-	-	2.4	1.3	2,240.3	1,995.0
United Arab Emirates	-	-	-	-	5.3	10.3	-	-	-	-	-	-	5.3	10.3
Indonesia	-	-	8.9	10.5	-	-	-	-	-	-	-	-	8.9	10.5
United States of America	-	-	-	-	4.4	4.6	-	-	2.1	4.0	-	-	6.5	8.6
New Zealand	-	-	-	-	1.8	2.1	-	-	-	-	-	-	1.8	2.1
<b>Segment result</b>														
Segment earnings before interest, income tax, depreciation and amortisation (EBITDA) <sup>(c)</sup>	218.3	187.4	199.3	204.0	1.1	2.5	46.2	40.1	78.3	78.0	14.6	15.0	557.8	527.0
Depreciation and amortisation	(32.3)	(28.7)	(95.1)	(93.8)	(1.2)	(1.4)	-	-	(0.9)	(1.4)	-	-	(129.5)	(125.3)
<b>Segment earnings before interest and tax (EBIT)<sup>(d)</sup></b>	<b>186.0</b>	<b>158.7</b>	<b>104.2</b>	<b>110.2</b>	<b>(0.1)</b>	<b>1.1</b>	<b>46.2</b>	<b>40.1</b>	<b>77.4</b>	<b>76.6</b>	<b>14.6</b>	<b>15.0</b>	<b>428.3</b>	<b>401.7</b>
<b>Other segment information</b>														
Share of results of equity accounted investees included in segment EBIT (excluding significant items) <sup>(e)</sup>	(0.6)	2.5	-	-	-	-	29.0	33.8	79.5	77.0	4.5	(0.6)	112.4	112.7
Impairment of assets recognised in profit or loss	-	-	-	-	-	-	(56.8)	(224.0)	(104.1)	-	-	-	(160.9)	(224.0)
Capital expenditure	(16.3)	(12.6)	(154.2)	(94.0)	(0.7)	(0.5)	-	-	(5.6)	(3.9)	-	-	(176.8)	(111.0)
		Restated <sup>^</sup>		Restated <sup>^</sup>		Restated <sup>^</sup>		Restated <sup>^</sup>		Restated <sup>^</sup>		Restated <sup>^</sup>		Restated <sup>^</sup>
	Dec 19	Jun 19	Dec 19	Jun 19	Dec 19	Jun 19	Dec 19	Jun 19	Dec 19	Jun 19	Dec 19	Jun 19	Dec 19	Jun 19
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Balance sheet</b>														
Investments accounted for using the equity method	32.4	33.8	-	-	-	-	201.1	284.6	808.3	741.6	31.1	26.6	1,072.9	1,086.6
Other segment assets	2,391.4	2,290.5	2,420.2	2,353.5	67.9	55.8	153.4	179.8	358.0	454.5	205.0	222.9	5,595.9	5,557.0
<b>Segment assets</b>	<b>2,423.8</b>	<b>2,324.3</b>	<b>2,420.2</b>	<b>2,353.5</b>	<b>67.9</b>	<b>55.8</b>	<b>354.5</b>	<b>464.4</b>	<b>1,166.3</b>	<b>1,196.1</b>	<b>236.1</b>	<b>249.5</b>	<b>6,668.8</b>	<b>6,643.6</b>
<b>Segment liabilities</b>	<b>(990.3)</b>	<b>(979.9)</b>	<b>(457.9)</b>	<b>(453.9)</b>	<b>(27.1)</b>	<b>(22.5)</b>	<b>-</b>	<b>-</b>	<b>(66.7)</b>	<b>(64.5)</b>	<b>(1.3)</b>	<b>(1.8)</b>	<b>(1,543.3)</b>	<b>(1,522.6)</b>

<sup>^</sup> Amounts have been restated following the adoption of AASB 16: Leases. Refer to Note 1(A) for further detail.

(a) Segment results have been reduced in relation to the elimination of sales between Group entities.

(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.

# Notes to the Consolidated Financial Statements

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

## 2. OPERATING SEGMENTS (CONTINUED)

### ANALYSIS BY GEOGRAPHICAL AREA

	Segment revenue		Non-current assets <sup>(a)</sup>	
	Dec 19	Dec 18	Dec 19	Jun 19
	\$m	\$m	\$m	\$m
Australia	2,240.3	1,995.0	3,568.1	3,515.9
United Arab Emirates	5.3	10.3	3.9	4.0
Indonesia	8.9	10.5	14.2	13.8
United States of America	6.5	8.6	12.9	115.3
New Zealand	1.8	2.1	0.8	0.9
<b>Total by geographical segment</b>	<b>2,262.8</b>	<b>2,026.5</b>	<b>3,599.9</b>	<b>3,649.9</b>

(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

	Restated <sup>^</sup>	
	Dec 19	Dec 18
	\$m	\$m
<b>Reconciliation of segment EBIT to profit before income tax per consolidated statement of profit or loss</b>		
Segment earnings before interest and tax (EBIT)	428.3	401.7
Corporate operating costs	(10.7)	(11.3)
Gain on conversion of convertible notes	-	28.9
Share of results from equity accounted investees attributable to significant items	(55.9)	-
Impairment of equity accounted investee	(56.8)	(224.0)
Impairment of producing and development asset	(104.1)	-
Net finance expense	(76.1)	(79.7)
<b>Profit before income tax per consolidated statement of profit or loss</b>	<b>124.7</b>	<b>115.6</b>

	Restated <sup>^</sup>	
	Dec 19	Jun 19
	\$m	\$m
<b>Reconciliation of segment operating assets to total assets per consolidated statement of financial position</b>		
Segment operating assets	6,668.8	6,643.6
Corporate cash holdings	79.6	78.1
Derivative financial instruments (assets)	179.5	173.2
Assets held at corporate level	5.1	4.4
<b>Total assets per consolidated statement of financial position</b>	<b>6,933.0</b>	<b>6,899.3</b>

	Restated <sup>^</sup>	
	Dec 19	Jun 19
	\$m	\$m
<b>Reconciliation of segment operating liabilities to total liabilities per consolidated statement of financial position</b>		
Segment operating liabilities	(1,543.3)	(1,522.6)
Interest bearing loans and borrowings - current	(73.7)	(30.3)
Interest bearing loans and borrowings - non-current	(2,105.6)	(2,043.9)
Current tax liability	(33.7)	(79.3)
Deferred tax liabilities	(256.5)	(238.9)
Derivative financial instruments (liabilities)	(57.3)	(62.4)
Liabilities held at corporate level	(49.9)	(52.6)
<b>Total liabilities per consolidated statement of financial position</b>	<b>(4,120.0)</b>	<b>(4,030.0)</b>

<sup>^</sup> Amounts have been restated following the adoption of AASB 16: Leases. Refer to Note 1(A) for further detail.



# Notes to the Consolidated Financial Statements

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

## 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 19	Restated <sup>^</sup> Dec 18
	\$m	\$m
Gain on conversion of convertible notes	-	28.9
Share of results from equity accounted investees attributable to significant items	(55.9)	-
Impairment of equity accounted investee	(56.8)	(224.0)
Impairment of producing and development asset	(104.1)	-
<b>Total significant items before income tax</b>	<b>(216.8)</b>	<b>(195.1)</b>
Income tax benefit on significant items	-	-
<b>Total significant items</b>	<b>(216.8)</b>	<b>(195.1)</b>

<sup>^</sup> Amounts have been restated following the adoption of AASB 16: Leases. Refer to Note 1(A) for further detail.

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

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 and onerous contracts. In particular, the current period includes the impact of the Group's share of the writedown of Seven West Media's intangible assets (including television licenses) of \$61.6 million.

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

Impairment of producing and development asset relates to the impairment of the Group's investment in Bivins Ranch.

## 4. REVENUE AND EXPENDITURE

	Dec 19	Restated <sup>^</sup> Dec 18
	\$m	\$m
<b>REVENUE</b>		
Product sales	556.9	460.5
Product support	1,193.9	1,071.8
Hire of equipment	507.5	488.9
Oil, gas and condensate sales	2.1	4.0
Other revenue	2.4	1.3
<b>Total revenue</b>	<b>2,262.8</b>	<b>2,026.5</b>
<b>EXPENDITURE EXCLUDING DEPRECIATION AND AMORTISATION</b>		
Materials cost of inventory sold and used in product sales and product support	(1,211.6)	(1,027.8)
Repairs, maintenance and consumables used on equipment hire	(76.8)	(75.6)
Employee benefits	(394.4)	(387.0)
Other expenses	(180.7)	(163.2)
<b>Total expenses excluding depreciation and amortisation</b>	<b>(1,863.5)</b>	<b>(1,653.6)</b>

<sup>^</sup> Amounts have been restated following the adoption of AASB 16: Leases. Refer to Note 1(A) for further detail.

# Notes to the Consolidated Financial Statements

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

## 5. NET FINANCE EXPENSE

	Dec 19	Restated <sup>^</sup> Dec 18
	\$m	\$m
<b>FINANCE INCOME</b>		
Interest income on bank deposits	0.5	1.1
Other	0.1	0.4
<b>Total finance income</b>	<b>0.6</b>	<b>1.5</b>
<b>FINANCE EXPENSE</b>		
Interest expense	(43.6)	(48.4)
Interest expense on lease liabilities	(28.5)	(29.1)
Borrowing costs	(3.2)	(2.3)
Unwind of discount on provisions	(1.4)	(1.4)
<b>Total finance expense</b>	<b>(76.7)</b>	<b>(81.2)</b>
<b>Net finance expense</b>	<b>(76.1)</b>	<b>(79.7)</b>

<sup>^</sup> Amounts have been restated following the adoption of AASB 16: Leases. Refer to Note 1(A) for further detail.

## 6. INCOME TAX

	Dec 19	Restated <sup>^</sup> Dec 18
	\$m	\$m
<b>INCOME TAX EXPENSE</b>		
Current tax expense	(60.9)	(50.6)
Deferred tax expense	(25.5)	(5.7)
Adjustment for prior periods	0.6	(6.8)
<b>Income tax expense</b>	<b>(85.8)</b>	<b>(63.1)</b>
<b>RECONCILIATION BETWEEN TAX EXPENSE AND PRE-TAX STATUTORY PROFIT:</b>		
Income tax using the domestic corporation tax rate 30%	(37.4)	(34.7)
Franked dividends	1.4	3.7
Share of equity accounted investees' net profit	(6.9)	33.8
Non-assessable income	5.1	10.8
Non-deductible expenses	(48.6)	(69.9)
Under provided in prior years	0.6	(6.8)
<b>Income tax expense</b>	<b>(85.8)</b>	<b>(63.1)</b>
<b>DEFERRED INCOME TAX RECOGNISED DIRECTLY IN OCI</b>		
Relating to financial assets at fair value through other comprehensive income	11.9	(9.1)
Relating to cash flow hedge reserve	(3.0)	(0.6)
<b>Total deferred income tax recognised directly in OCI</b>	<b>8.9</b>	<b>(9.7)</b>

<sup>^</sup> Amounts have been restated following the adoption of AASB 16: Leases. Refer to Note 1(A) for further detail.

# Notes to the Consolidated Financial Statements

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

## 7. EARNINGS PER SHARE

	Dec 19	Restated <sup>^</sup> Dec 18
	\$	\$
<b>STATUTORY EARNINGS PER SHARE</b>		
Basic	0.11	0.16
Diluted	0.11	0.15

	Dec 19	Restated <sup>^</sup> Dec 18
	\$m	\$m
<b>EARNINGS RECONCILIATION BY CATEGORY OF SHARE</b>		
Ordinary shares	37.9	51.8
<b>Net profit attributable to equity holders of the Company</b>	<b>37.9</b>	<b>51.8</b>

	Dec 19	Dec 18
	Million	Million
<b>WEIGHTED AVERAGE NUMBER OF SHARES</b>		
<b>Ordinary shares for basic earnings per share</b>		
Issued shares as at 1 July	339.4	316.5
- Conversion of TELYS4 shares into ordinary shares	-	22.9
<b>Issued shares as at 31 December</b>	<b>339.4</b>	<b>339.4</b>
<b>Weighted average number of shares (basic) at 31 December<sup>(a)</sup></b>	<b>339.4</b>	<b>328.4</b>
Effect of share options on issue - ordinary shares	1.0	15.7
<b>Weighted average number of shares (diluted) at 31 December</b>	<b>340.4</b>	<b>344.1</b>

<sup>^</sup> Amounts have been restated following the adoption of AASB 16: Leases. Refer to Note 1(A) for further detail.

(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 1.0 million options that were exercisable, dilutive or anti-dilutive at December 2019 (December 2018: 15.7 million).

	Dec 19	Restated <sup>^</sup> Dec 18
	\$	\$
<b>UNDERLYING EARNINGS PER SHARE</b>		
Basic	0.75	0.75
Diluted	0.75	0.72

Underlying earnings per share is a non-IFRS measure and is calculated as follows:

	Dec 19	Restated <sup>^</sup> Dec 18
	\$m	\$m
<b>UNDERLYING EARNINGS RECONCILIATION BY CATEGORY OF SHARE</b>		
Net profit attributable to equity holders of the Company	37.9	51.8
Add: significant items (refer Note 3)	216.8	195.1
<b>Underlying net profit attributable to equity holders of the Company</b>	<b>254.7</b>	<b>246.9</b>
<b>Underlying earnings allocated to category of share:</b>		
Ordinary shares	254.7	246.9
<b>Underlying net profit attributable to equity holders of the Company</b>	<b>254.7</b>	<b>246.9</b>

# Notes to the Consolidated Financial Statements

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

## 8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Dec 19 \$m	Jun 19 \$m
<b>INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD</b>		
Investments in associates		
Beach Energy Limited	808.3	741.6
Seven West Media Limited	201.1	284.6
Individually immaterial associates	32.4	33.8
Investments in joint ventures		
Individually immaterial joint ventures	31.1	26.6
<b>Total investments accounted for using the equity method</b>	<b>1,072.9</b>	<b>1,086.6</b>

### BEACH ENERGY LIMITED

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 40.2 per cent (June 2019: 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 40.2 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 2 out of 9 directors). The Group does not control Seven West Media and is therefore not required to consolidate Seven West Media at 31 December 2019.

Detailed in the table below are the Group's associates and joint ventures as at 31 December 2019. The country of incorporation is also their principal place of business.

Investee	Principal activities	Country of incorporation	Balance date	Ownership interest	
				Dec 19	Jun 19
<b>ASSOCIATES</b>					
Beach Energy Limited	Oil and gas exploration, development, production	Australia	30 Jun	28.6%	28.6%
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%	36.0%
iSeekplant Pty Limited <sup>(a)</sup>	Online services	Australia	30 Jun	15.6%	19.9%
Mo's Mobiles Pty Limited	Mobile phone retailer	Australia	30 Jun	25.0%	25.0%
Seven West Media Limited <sup>(b)</sup>	Media	Australia	27 Jun	40.2%	41.0%
<b>JOINT VENTURES</b>					
Flagship Property Holdings Pty Limited	Property management	Australia	31 Dec	45.8%	45.8%
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) During the period, the Group's interest in iSeekplant Pty Limited declined to 15.6 per cent following the issue of further shares by iSeekplant.

(b) On 19 December 2019, Seven West Media Limited issued 30 million new shares as consideration for the acquisition of 14.9 per cent in Prime Media Group. This diluted the Group's ownership interest in Seven West Media by 0.8 per cent.

# Notes to the Consolidated Financial Statements

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

	Dec 19	Restated <sup>^</sup> Dec 18
	\$m	\$m
<b>SHARE OF INVESTEEES' NET PROFIT</b>		
Investments in associates:		
Beach Energy Limited	79.5	77.0
Seven West Media Limited	(26.9)	33.8
Individually immaterial associates	(0.6)	2.7
Investments in joint ventures:		
Individually immaterial joint ventures	4.5	(0.8)
<b>Share of net profit from equity accounted investees</b>	<b>56.5</b>	<b>112.7</b>

<sup>^</sup> Amounts have been restated following the adoption of AASB 16: Leases. Refer to Note 1(A) for further detail.

The Group received cash dividends and distributions of \$7.3 million from its investments in equity accounted investees during the half-year ended 31 December 2019 (December 2018: \$6.3 million).

	Beach Energy		Seven West Media	
	Dec 19	Jun 19	Dec 19	Jun 19
	\$m	\$m	\$m	\$m
<b>MARKET VALUES OF LISTED INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD</b>				
Book value	808.3	741.6	201.1	284.6
Market value	1,626.4	1,281.6	201.1	284.6

An impairment charge of \$56.8 million (December 2018 restated: \$224.0 million) relating to the Group's investment in Seven West Media was recognised in the profit or loss during the period.

## 9. RIGHT OF USE ASSETS AND LEASE LIABILITIES

### ACCOUNTING POLICY

The Group assesses whether a contract is or contains a lease at inception of the contract. This assessment involves the exercise of judgement about whether the contract is dependent on an identified asset, whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset.

#### *The Group as a lessee*

The Group recognises a right of use asset and a lease liability at the lease commencement date. The lease commencement date is the date the underlying asset is available for use by the lessee.

The right of use asset is initially measured at cost, comprising the initial lease liability, any lease payments already made less lease incentives received, initial direct costs and any dilapidation or restoration costs. The right of use asset is subsequently depreciated on a straight line basis over the shorter of the lease term or the useful life of the underlying asset. The right of use asset is tested for impairment if there are any indicators of impairment.

The lease liability is measured at the present value of the lease payments discounted at the rate implicit in the lease, or if that cannot be determined, at the lessee's incremental borrowing rate specific to the entity, term, country and currency of the contract. Lease payments can include fixed payments, variable payments that depend on a specified rate or index, extension option payments or purchase options if the Group is reasonably certain to exercise the option and termination payments if the lease term reflects the Group exercising a break option.

# Notes to the Consolidated Financial Statements

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

## 9. RIGHT OF USE ASSETS AND LEASE LIABILITIES (CONTINUED)

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured with a corresponding adjustment to the right of use asset when there is a change in future lease payments resulting from a rent review, a change in an index or rate such as inflation, or a change in the Group's assessment of whether it is reasonably certain to exercise a purchase or extension option or not exercise a break option.

Leases of low value assets and short term leases of 12 months or less are expensed to the income statement, as are variable payments dependant on performance or usage, 'out of contract' payments and non-lease service components.

### *The Group as a lessor*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Where the Group is an intermediate lessor the sub-lease classification is assessed with reference to the head lease right of use asset. Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment into the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the lease. Rental income from operating leases is recognised on a straight line basis over the term of the lease.

### RIGHT OF USE ASSETS

		Land and Buildings	Plant and Equipment	Hire Fleet	Motor Vehicles	Total
	Note	\$m	\$m	\$m	\$m	\$m
<b>Half-year ended 31 December 2019</b>						
<b>Movement in Right of use assets</b>						
Carrying amount at 1 July 2019	1(A)	587.0	5.1	29.5	36.9	658.5
Additions		4.3	-	4.1	12.2	20.6
Disposals		(0.1)	(0.2)	-	(1.0)	(1.3)
Depreciation		(24.3)	(1.7)	(5.1)	(7.1)	(38.2)
Foreign currency gain		0.4	-	-	-	0.4
<b>Carrying amount at 31 December 2019</b>		<b>567.3</b>	<b>3.2</b>	<b>28.5</b>	<b>41.0</b>	<b>640.0</b>
At cost		855.0	11.4	68.4	86.3	1,021.1
Accumulated depreciation		(287.7)	(8.2)	(39.9)	(45.3)	(381.1)
<b>Total Right of use assets</b>		<b>567.3</b>	<b>3.2</b>	<b>28.5</b>	<b>41.0</b>	<b>640.0</b>

### **Half-year ended 31 December 2018**

<b>Movement in Right of use assets</b>						
Carrying amount at 1 July 2018	1(A)	604.7	6.4	37.2	41.1	689.4
Additions		15.2	2.0	1.0	5.4	23.6
Depreciation		(22.5)	(1.7)	(5.0)	(6.8)	(36.0)
<b>Carrying amount at 31 December 2018</b>		<b>597.4</b>	<b>6.7</b>	<b>33.2</b>	<b>39.7</b>	<b>677.0</b>
At cost		848.5	11.5	63.8	75.1	998.9
Accumulated depreciation		(251.1)	(4.8)	(30.6)	(35.4)	(321.9)
<b>Total Right of use assets</b>		<b>597.4</b>	<b>6.7</b>	<b>33.2</b>	<b>39.7</b>	<b>677.0</b>

# Notes to the Consolidated Financial Statements

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

## 9. RIGHT OF USE ASSETS AND LEASE LIABILITIES (CONTINUED)

	Dec 19	Restated <sup>^</sup> Dec 18
	\$m	\$m
<b>Amounts recognised in profit and loss</b>		
Depreciation expense on right of use assets	38.2	36.0
Interest expense on lease liabilities	28.5	29.1
Expense relating to short-term leases	4.0	5.3
Expense relating to leases of low value assets	1.1	0.6

### LEASE LIABILITIES

	Dec 19	Restated <sup>^</sup> Jun 19
	\$m	\$m
Amounts due for settlement within 12 months (shown under current liabilities)	48.9	47.5
Amounts due for settlement after 12 months (shown under non-current liabilities)	804.1	813.1
<b>Total Lease Liabilities</b>	<b>853.0</b>	<b>860.6</b>
<b>Lease Liabilities (undiscounted) maturity analysis:</b>		
Within 1 Year	106.4	107.7
Between 1 and 2 years	96.1	97.3
Between 2 and 5 years	232.3	236.7
Between 5 and 10 years	338.6	336.2
Between 10 and 20 years	569.7	577.0
Over 20 years	253.9	280.9
<b>Total undiscounted lease liabilities</b>	<b>1,597.0</b>	<b>1,635.8</b>

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The most significant judgement is the selection of an appropriate discount rate to calculate the lease liability.

The discount rate used to calculate the lease liability is the rate implicit in the lease, if it can be readily determined, or the lessee's incremental borrowing rate if not. The Group uses the incremental borrowing rate for all leases. Incremental borrowing rates depend on the entity, term, country, currency and commencement date of the lease. The incremental borrowing rate is determined as required on a series of inputs including the risk free rate based on government bond rates, a credit risk adjustment based on the actual or inferred credit rating of an entity and a country specific risk adjustment.

Management exercises judgement in determining the likelihood of exercising break or extension options in determining the lease term. Break and extension options are included to provide operational flexibility should the economic outlook for an asset be different to expectations. At commencement of the lease, break or extension options are not normally considered reasonably certain to be exercised, unless there is a valid business reason otherwise.

# Notes to the Consolidated Financial Statements

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

	Dec 19	Jun 19
	\$m	\$m
<b>PRODUCING AND DEVELOPMENT ASSETS</b>		
At cost	249.2	248.5
Accumulated impairment	(102.2)	-
Accumulated depreciation	(22.1)	(21.2)
<b>Total producing and development assets</b>	<b>124.9</b>	<b>227.3</b>

Producing and development assets comprise the Group's operating interests in oil and gas assets located in the Longtom gas and condensate field located in the Bass Straight off the coast of Victoria in Australia and the Bivins Ranch oil and gas asset located in the Texas Panhandle region of the United States.

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

As at 31 December 2019, the Group performed an impairment review of its producing and development assets in accordance with *AASB 136: Impairment of Assets*. Following the review, an impairment expense of \$104.1 million was recognised for the Bivins Ranch asset in the profit or loss, as well as \$1.9 million foreign currency movement recognised in the foreign currency translation reserve for the period ended 31 December 2019.

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).

During the period, a new operator has been appointed for Bivins Ranch, this change combined with recent uncommercial exploration efforts has resulted in a reconsideration of the likely future development pathway of the acreage and triggered a full asset valuation under the requirements of AASB 136 as at 31 December 2019.

The estimated quantities and quality of reserves and resources are integral to the calculation of amortisation expense and the assessment of the recoverable amount of assets. Estimated reserve and resource quantities and quality is based on interpretations of geological and geophysical models and assessments of technical feasibility and commercial viability of future production. These estimates require assumptions to be made regarding future development and production costs, commodity prices and exchange rates. The estimates of reserves and resources may change from period to period, and as additional geological data is generated or obtained from the operator during the course of the operations. Reserves and resource estimates are prepared in accordance with guidelines prepared by the Society of Petroleum Engineers.

The Group's best estimate of future commodity prices is made with reference to internally derived forecast data, current spot prices, external market analysts forecast and forward curves. Future commodity price assumptions impact the recoverability of carrying values and are reviewed at least annually.

Cash flow projections utilised for fair value less costs of disposal reflect the expected production profile of resources and cover a period to 2033 for Bivins Ranch. The post tax discount rate applied was between 8.0 per cent (June 2019: 8.0 per cent).

The valuation of the investment in Bivins Ranch after the impairment of \$104.1 million is \$12.7 million (US\$8.9 million). Any reasonable possible change in a key assumption would result in an increase in the impairment expense as follows:

- A 1 per cent increase in the discount rate would result in an additional \$0.2 million impairment.
- A 10 per cent reduction in oil prices would result in an additional \$1.5 million impairment.
- A 10 per cent reduction in liquids mix would result in an additional \$0.8 million impairment.



# Notes to the Consolidated Financial Statements

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## 11. EXPLORATION AND EVALUATION ASSETS

	Dec 19	Jun 19
	\$m	\$m
<b>EXPLORATION AND EVALUATION ASSETS</b>		
At cost	238.0	232.6
Accumulated impairment	(5.7)	(5.7)
<b>Total exploration and evaluation assets</b>	<b>232.3</b>	<b>226.9</b>

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 2019.

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.

# Notes to the Consolidated Financial Statements

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
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## 12. NOTES TO THE CASH FLOW STATEMENT

	Dec 19	Restated <sup>^</sup> Dec 18
	\$m	\$m
<b>Reconciliation of profit for the period to net cash flows related to operating activities</b>		
<b>Profit for the period</b>	<b>38.9</b>	<b>52.5</b>
Income tax expense	85.8	63.1
Income taxes paid	(106.6)	(1.8)
Depreciation and amortisation:		
Property, plant and equipment	87.9	85.5
Producing and development assets	0.9	1.4
Right of use assets	38.2	36.0
Intangible assets	3.0	2.7
Capitalised borrowing costs amortised	1.5	1.2
Share of results from equity accounted investees	(56.5)	(112.7)
Employee share movements in equity	1.3	(6.8)
Dividends received from equity accounted investees	7.3	6.3
Gain on sale of property, plant and equipment	(5.9)	(4.7)
Gain on sale of investments and derivative financial instruments	-	(3.3)
Gain on conversion of convertible note	-	(28.9)
Impairment of equity accounted investee	56.8	224.0
Impairment of producing and development asset	104.1	-
Investing flows for property, plant and equipment	(11.5)	(5.3)
Unwind of interest on convertible note	3.8	3.9
Other	1.5	7.2
Movement in:		
Trade and other receivables	(53.2)	88.7
Inventories	(67.4)	(81.2)
Other assets	(7.7)	(19.4)
Trade and other payables/deferred income	27.0	(21.0)
Provisions and employee benefits	(1.4)	(31.1)
<b>Net operating cash flows</b>	<b>147.8</b>	<b>256.3</b>

<sup>^</sup> Amounts have been restated following the adoption of AASB 16: Leases. Refer to Note 1(A) for further detail.

# Notes to the Consolidated Financial Statements

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
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## 13. INTEREST BEARING LOANS AND BORROWINGS

	Dec 19	Restated <sup>^</sup> Jun 19
	\$m	\$m
<b>CURRENT</b>		
Interest bearing liabilities	30.9	30.3
Fixed term US dollar notes	42.8	-
	<b>73.7</b>	<b>30.3</b>
<b>NON-CURRENT</b>		
Interest bearing liabilities	1,252.0	1,153.8
Convertible notes	300.1	295.9
Fixed term US dollar notes	562.7	604.9
Less: capitalised borrowing costs net of accumulated amortisation	(9.2)	(10.7)
	<b>2,105.6</b>	<b>2,043.9</b>

<sup>^</sup> Amounts have been restated following the adoption of AASB 16: Leases. Refer to Note 1(A) for further detail.

The Group's syndicated loan facility is unsecured and is supported by guarantees by the Company and certain subsidiaries within the Group. The facility limit is across three and five year tranches of \$400.0 million and \$900.0 million respectively.

At 31 December 2019, the Group had available undrawn borrowing facilities of \$738.2 million (June 2019: \$838.0 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.

	Restated <sup>^</sup> Jun 19	Financing cash flow	Effect of FX rates	Other	Dec 19
	\$m	\$m	\$m	\$m	\$m
<b>Interest bearing loans and borrowings</b>					
Interest bearing liabilities	1,184.1	100.5	-	(1.7)	1,282.9
Fixed term US dollar notes	604.9	-	0.6	-	605.5
Convertible notes	295.9	-	-	4.2	300.1
Capitalised borrowing costs	(10.7)	-	-	1.5	(9.2)
<b>Total interest bearing loans and borrowings</b>	<b>2,074.2</b>	<b>100.5</b>	<b>0.6</b>	<b>4.0</b>	<b>2,179.3</b>
<b>Lease liabilities</b>					
Cash payments for lease liabilities	860.6	(27.4)	0.4	19.4	853.0
<b>Total lease liabilities</b>	<b>860.6</b>	<b>(27.4)</b>	<b>0.4</b>	<b>19.4</b>	<b>853.0</b>
<b>Total</b>	<b>2,934.8</b>	<b>73.1</b>	<b>1.0</b>	<b>23.4</b>	<b>3,032.3</b>

<sup>^</sup> Amounts have been restated following the adoption of AASB 16: Leases. Refer to Note 1(A) for further detail.

# Notes to the Consolidated Financial Statements

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
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## 14. 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 AASB, 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  
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## 14. FINANCIAL INSTRUMENTS (CONTINUED)

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

			Dec 19	Dec 19	Jun 19	Jun 19
		Level in	Carrying	Fair	Carrying	Fair
		fair value	amount	value	amount	value
	Note	hierarchy	\$m	\$m	\$m	\$m
<b>Financial assets measured at fair value</b>						
Listed equity securities (excluding derivatives)		1	181.5	181.5	196.4	196.4
Unlisted equity securities		3	153.4	153.4	179.8	179.8
Forward foreign exchange contracts - used for hedging	15	2	2.2	2.2	0.8	0.8
Cross currency swap - used for hedging	15	2	177.3	177.3	172.4	172.4
			<b>514.4</b>	<b>514.4</b>	<b>549.4</b>	<b>549.4</b>
<b>Financial assets not measured at fair value</b>						
Cash and cash equivalents		-	79.6	79.6	78.1	78.1
Trade and other receivables		-	756.1	756.1	700.4	700.4
			<b>835.7</b>	<b>835.7</b>	<b>778.5</b>	<b>778.5</b>
<b>Financial liabilities measured at fair value</b>						
Forward foreign exchange contracts - used for hedging	15	2	6.5	6.5	7.2	7.2
Cross currency swap - used for hedging	15	2	47.8	47.8	50.9	50.9
Interest rate collars - used for hedging	15	2	3.0	3.0	4.3	4.3
			<b>57.3</b>	<b>57.3</b>	<b>62.4</b>	<b>62.4</b>
<b>Financial liabilities not measured at fair value</b>						
Trade and other payables (excluding accruals)		-	265.9	265.9	281.9	281.9
Fixed term US dollar notes	13	2	605.5	700.1	604.9	687.5
Convertible note	13	2	300.1	325.7	295.9	322.5
Other borrowings	13	2	1,282.9	1,289.6	1,184.1	1,197.5
			<b>2,454.4</b>	<b>2,581.3</b>	<b>2,366.8</b>	<b>2,489.4</b>

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 2019

## 15. DERIVATIVE FINANCIAL INSTRUMENTS

	Dec 19	Jun 19
	\$m	\$m
<b>CURRENT ASSETS</b>		
Forward foreign exchange contracts - cash flow hedges	2.2	0.7
	2.2	0.7
<b>NON-CURRENT ASSETS</b>		
Cross currency swaps - cash flow hedges	177.3	172.4
Forward foreign exchange contracts - cash flow hedges	-	0.1
	177.3	172.5
<b>CURRENT LIABILITIES</b>		
Forward foreign exchange contracts - cash flow hedges	(1.5)	(0.4)
	(1.5)	(0.4)
<b>NON-CURRENT LIABILITIES</b>		
Forward foreign exchange contracts and cross currency swaps - cash flow hedges	(5.0)	(6.8)
Cross currency interest rate swaps - fair value adjustment	(47.8)	(50.9)
Interest rate swaps and collars	(3.0)	(4.3)
	(55.8)	(62.0)
<b>Net derivative financial instruments</b>	<b>122.2</b>	<b>110.8</b>

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 2019

## 16. CAPITAL

	Dec 19 \$m	Jun 19 \$m
<b>SHARE CAPITAL</b>		
339,357,656 ordinary shares, fully paid (June 2019: 339,357,656)	2,858.7	2,858.7
Convertible notes, fully paid	31.7	31.7
148,703 treasury shares, fully paid (June 2019: 410,000)	(2.5)	(7.0)
<b>Balance at end of the period</b>	<b>2,887.9</b>	<b>2,883.4</b>
<b>MOVEMENTS IN ORDINARY SHARES</b>		
Balance at beginning of the period	2,858.7	2,431.4
Conversion of TELYS4 shares into ordinary shares	-	427.3
<b>Balance at end of the period</b>	<b>2,858.7</b>	<b>2,858.7</b>

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

### 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. The total number of ordinary shares which will be issued if the convertible notes are converted is 14,583,333. At 31 December 2019, no notes had been converted.

## 17. DIVIDENDS

	Date of payment	Franked / unfranked	Amount per share \$	Total \$m
<b>DIVIDENDS PAID</b>				
Ordinary shares - Final dividend in respect of 2019 year	11 Oct 19	Franked	0.21	71.3
<b>Total dividends paid</b>				<b>71.3</b>
Ordinary shares - Final dividend in respect of 2018 year	8 Oct 18	Franked	0.21	66.5
<b>Total dividends paid</b>				<b>66.5</b>
<b>SUBSEQUENT EVENT</b>				
<b>Current period interim dividend on ordinary shares proposed but not provided</b>				
Ordinary shares - Interim dividend in respect of 2020 year	20 Apr 20	Franked	0.21	71.3

# Notes to the Consolidated Financial Statements

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

## 18. EVENTS SUBSEQUENT TO BALANCE DATE

Other than as outlined below, there has not arisen in the interval between 31 December 2019 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 2019.

### **Bushfire recovery**

The Group has pledged to contribute \$5 million of cash, equipment and services to directly support fire-fighting efforts, disaster recovery and the long-term task of rebuilding communities and infrastructure. Australian Capital Equity Pty Limited, a Director related entity, has also pledged \$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 18 February 2020 compared to their market value at 31 December 2019 is outlined below.

	Market value	
	18 Feb 20	31 Dec 19
	\$m	\$m
Listed equity securities	185.1	181.5
Listed investments accounted for using the equity method	1,499.5	1,827.5
<b>Total listed investments</b>	<b>1,684.6</b>	<b>2,009.0</b>

## 19. RELATED PARTY TRANSACTIONS

Arrangements with related parties continue to be in place. For details of these arrangements refer to the Remuneration Report and Note 32 of the 2019 Annual Report.

There has not been any 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 2019

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 2019 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
<b>EXECUTIVE</b>	
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 (resigned 20 November 2019)
<b>NON-EXECUTIVE</b>	
Annabelle Chaplain AM	Director since November 2015
Terry James Davis	Director since June 2010
Katherine Leigh Farrar	Director since February 2019
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.

### REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

The Registered Office and Principal Place of Business is:

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 33 and forms part of the Directors' Report for the half-year ended 31 December 2019.

### 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, 19 February 2020

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

19 February 2020

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 2019, 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

*J L Gorton*

J L Gorton  
Partner  
Chartered Accountant

# Directors' Declaration

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

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

1. the consolidated financial statements and notes set out on pages 3 to 31 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 2019 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, 19 February 2020

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

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 2019, the consolidated statement of 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 2019 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 2019 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

*J L Gorton*

J L Gorton  
Partner  
Chartered Accountants  
Sydney, 19 February 2020