

25 August 2021

Company Announcements Office  
Australian Securities Exchange Limited  
20 Bridge Street  
SYDNEY NSW 2000

## 2021 ANNUAL REPORT

Seven Group Holdings Limited (ASX: SVW) attaches the Annual Report for the year ended 30 June 2021.

This release has been authorised to be given to ASX by the Board of Seven Group Holdings Limited.

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**Seven Group Holdings Limited** is a leading Australian diversified operating and investment group with market leading businesses and investments in industrial services, media and energy. In industrial services, WesTrac Group is the sole authorised Caterpillar dealer in Western Australia, New South Wales and the Australian Capital Territory. WesTrac is one of Caterpillar's top dealers globally (by sales value). SGH owns Coates, Australia's largest nationwide industrial and general equipment hire business. SGH also has a 69.9% shareholding in Boral, an international building products and construction materials group. In energy, SGH has a 30.0% shareholding in Beach Energy and has interests in oil and gas projects in Australia and the United States. In media, SGH has a 40.2% shareholding in Seven West Media, one of Australia's largest multiple platform media companies, including the Seven Network, 7plus and The West Australian.



**Seven Group Holdings Limited** | ABN 46 142 003 469

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# 2021

## Annual Report



**SGH** | Industrial Services, Media,  
Energy and Investments



## Contents

### Our Businesses

- 02 Our strategy
- 04 Chairman's Letter
- 08 MD & CEO's Letter
- 12 Our proven track record
- 14 Our businesses
- 16 Industrial Services
- 16   WesTrac
- 18   Coates
- 20   Boral
- 22 Energy
- 24 Media
- 25 Other Investments
- 26 Sustainability

### Operating and Financial Review

- 32 Operating and Financial Review
- 38 Risk Factors Associated with SGH

### Governance and Directors' Report

- 44 Board of Directors
- 46 Executive Management
- 48 Corporate Governance Overview
- 48 Directors' Report
- 58 Remuneration Report
- 81 Auditor's Independence Declaration

### Financial Report

- 83 Primary Statements
- 87 Notes to the Financial Statements
- 145 Directors' Declaration
- 146 Independent Auditor's Report

### Other Information

- 151 Shareholder Information
- 151 Investor Information
- 152 Company Information
- 152 Corporate Directory

### Our purpose

Recognising and serving exceptional businesses.

### Who we are

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

### Strategic objective

Maximise return to stakeholders through long-term sustainable value creation.

### Our values

Respect  
Owner's mindset  
Courage  
Agility

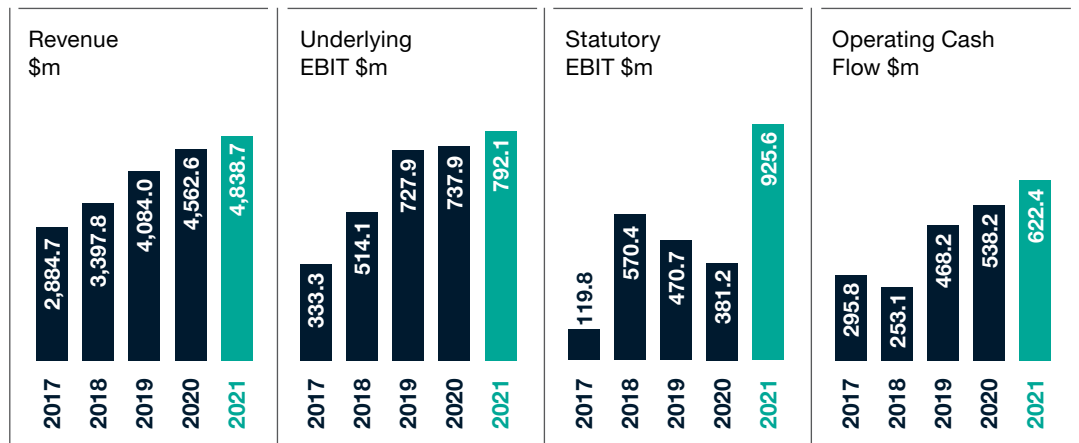
SGH market capitalisation growth  
2011 to 2021



“Our Group result reflects the strong performance of our key operating businesses. This strength has then been leveraged to support transformative growth.”

Ryan Stokes AO, MD & CEO

## Performance Highlights



## Five year results

|                                                               | 2021<br>\$m | 2020 <sup>(a)</sup><br>\$m | 2019<br>\$m | 2018 <sup>(b)</sup><br>\$m | 2017 <sup>(b)</sup><br>\$m |
|---------------------------------------------------------------|-------------|----------------------------|-------------|----------------------------|----------------------------|
| Revenue                                                       | 4,838.7     | 4,562.6                    | 4,084.0     | 3,397.8                    | 2,884.7                    |
| <b>Underlying results<sup>(c)</sup></b>                       |             |                            |             |                            |                            |
| EBIT                                                          | 792.1       | 737.9                      | 727.9       | 514.1                      | 333.3                      |
| Profit before tax                                             | 634.2       | 587.8                      | 567.2       | 410.3                      | 249.8                      |
| Underlying EPS (\$)                                           | 1.46        | 1.39                       | 1.37        | 1.00                       | 0.67                       |
| <b>Statutory results</b>                                      |             |                            |             |                            |                            |
| Profit before tax                                             | 762.7       | 231.1                      | 309.0       | 483.8                      | 79.3                       |
| Profit after tax                                              | 634.6       | 117.5                      | 202.9       | 415.6                      | 46.2                       |
| Reported EPS (\$)                                             | 1.84        | 0.34                       | 0.60        | 1.27                       | 0.07                       |
| Operating cash flow per share <sup>(d)</sup> (\$)             | 1.81        | 1.59                       | 1.40        | 0.82                       | 1.05                       |
| Free cash flow per share <sup>(e)</sup> (\$)                  | 1.31        | 0.83                       | 0.61        | 0.34                       | 0.96                       |
| Full year fully franked ordinary dividend paid per share (\$) | 0.44        | 0.42                       | 0.42        | 0.42                       | 0.41                       |

(a) 2020 figures have been restated. Refer to Note 1 of Financial Report for further detail.

(b) 2018 and 2017 figures include continued and discontinued operations.

(c) Underlying results comprise statutory results adjusted for significant items and are separately disclosed in Note 3: Significant items of the Financial Report to assist users in understanding the financial performance of the Group. Underlying results are reconciled to statutory performance on page 32. They are a non-IFRS measure and have not been audited or reviewed.

(d) Operating cash flow per share is calculated by dividing the operating cash flow of the Group by the weighted average number of ordinary shares outstanding during the year.

(e) Free cash flow is operating cash flow less net capital expenditure of the Group divided by the weighted average number of ordinary shares outstanding during the year.

# Our strategy

## Our Enablers

The inputs that enable us to successfully operate our business to create and share value.

### Exceptional People

People are our most important asset, and employing and retaining exceptional people is a key pillar of the Group's strategic framework.

### Operational Excellence

Ability to undertake strategic pivots, our ability to identify and execute against opportunity, operating efficiency, DIFOT, focus on free cash flow not financial returns.

### Financial Acumen

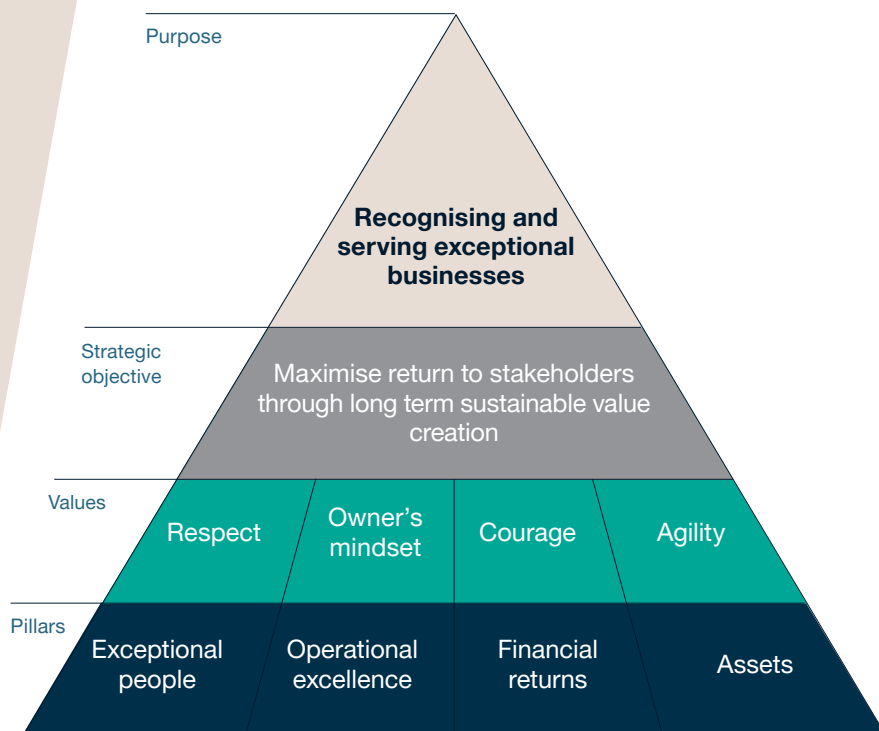
Disciplined capital management to support long-term valuation creation. Maintain optimal balance to capture growth opportunities and maintain and grow dividends over time.

### Best-in-class Assets

A portfolio of market leading positions in essential, high-growth markets with great sectorial opportunities.

## Our Business Model

Seven Group Holdings Limited is a leading Australian diversified operating and investment group with market leading businesses.



## Our Strategy

*Evolving and systematising our operating model to drive and serve our operating businesses.*

*Securing value from our investments and driving new opportunities.*

*Shaping the group in a changing environment.*

# Our structure

## Exceptional businesses

Our purpose is to recognise and serve exceptional businesses.

ASX: SVW



# Chairman's Letter

Another year of strong operational and financial results.

Underlying EBIT  
\$792.1m

Dividends per share  
\$0.46

Seven Group Holdings share price (2010–2021)



This 2021 Annual Report highlights another year of strong financial and operational results achieved by disciplined execution of our strategy to create value. The result was primarily driven by the performance of WesTrac led by Jarvas Croome in WA and Greg Graham in NSW, and Coates led by Murray Vitlich.

The financial result delivered for FY21 reflects the benefits of our diversified portfolio of businesses and clearly demonstrates the value in owning quality businesses. We again recorded growth in revenue, underlying EBIT and cashflow. Therefore, ensuring previous guidance provided was achieved. The FY21 result also includes equity accounted contributions from Beach Energy, Seven West Media and Boral.

We are fortunate to have quality leadership in all our businesses supported by prudent and judicious management of financial resources.

The Board decision to increase the dividend by 10 per cent is in line with our objective of maximising long-term sustainable returns to our shareholders and this demonstrates our confidence in the outlook and the continued strength of our businesses.

As a result of our fiscal discipline, we were able to quickly recognise the opportunity that Boral represented to our Group. With the growing national infrastructure pipeline, as well as economic activity, a takeover for Boral presented the most compelling opportunity for the Group. As a result of the success of the takeover bid, we are now in a position to drive the business improvement and deliver an uplift in earnings and create shareholder value for Boral and SGH.

A disciplined approach to capital management, including an institutional placement that raised \$500 million coupled with a Share Purchase Plan (SPP) that raised an additional \$33 million, allowed us to secure a \$6.2 billion Bridge facility making possible the transformative Boral acquisition.

The continued mining production during COVID-19 benefited the Group with expanding future planned mines, particularly in WA and in iron ore, together with high quality NSW thermal coal, which provide a very strong forward outlook.

The Government policy that kept construction and mining during COVID-19, was a major contributor for continued employment and economic prosperity.



A Boral concrete agitator, Brisbane, QLD

Our partnership with Caterpillar Inc. has never been stronger and we continue to work hard to support all our customers to create the best solutions and outcomes. Our common focus on advanced technologies led to a world first. The WesTrac Technology Training Centre is now the only dedicated training facility of autonomous haulage in Australia.

WesTrac has had an exceptional year and has been selected by the majority of major miners as their supplier of choice. Numerous new mining projects underway and planned, ensures not only a successful year but the foreseeable future looks very encouraging.

Throughout the year, Coates has been able to deliver strong margin improvement and is positioned for the increasing infrastructure activity that is expected. It's been pleasing to see growth through the year with initiatives such as industrial shuts and engineering solutions forming part of the offering to customers.

Our energy assets are well positioned for the recovery in energy demand with both the East Coast gas market and global LNG demand expected to grow. We believe that gas remains an important transitional energy source for the foreseeable future. Energy and particularly dispatchable energy is critical to support the growth aspirations of our economy and our regional neighbors.

Our strength as a Group reflects our ability to support and grow businesses that are leaders in their markets.

Seven West Media under the leadership of MD & CEO James Warburton, is delivering significant transformation benefits. James and his team continue to focus on reducing operating costs, have a disciplined programming spend and are accelerating our digital contributions. This has delivered earnings and generated cash for major debt reduction. We are particularly proud with their presentation and production of the Tokyo 2020 Olympic Games. It was without question the best sporting production in the history of Australian television and completed within budget.

Given the challenges presented by COVID-19 we were proud of our businesses and in particular, how the management and our teams have all responded. As a result of their dedication we continue to be able to meet the requirements of our customers.

Our future is dependent upon our ability to sell our goods and services, in particular mining, to overseas customers and our most significant customer to date has been China. We are a trading nation and we trade regardless of politics or religion in exactly the same way as has been achieved by America.

China's importance to Australia and our prosperity extends far beyond the direct impact on our mining exports. There are many other income streams in our agricultural products, education and other services. As a result, there are hundreds of thousands of jobs and livelihoods tied to Australia doing business with China.

It is crucial to our economic well-being that the leadership of our Federal Government finds a way to be able to maintain constructive relationships with our largest trading partner, without disrupting mutually beneficial commerce and investment.

SGH is also committed to the investment in social responsibilities including our objective to achieving net zero greenhouse gas emissions by 2040 in WesTrac and Coates. This decision was taken following a comprehensive review of our Environmental, Social and Governance arrangements, and is part of a broader set of commitments to provide more transparency and accountability to investors and other stakeholders in this area. This will include the release of our first Sustainability Report in September 2021.



Bushfire assistance, Gidgegannup Showgrounds, WA

Creating value for stakeholders is our primary objective, and we understand that achieving that objective over the long-term requires an equal commitment to non-financial outcomes.

During the year, we deployed the balance of the funding commitment for bushfire relief towards rebuilding and recovery efforts in key communities in NSW, Victoria and South Australia and in responding to the fires in Western Australia in early 2021. Through the last 18 months we have contributed \$4.9 million to communities in need to support the recovery. SGH has been active in the provision of equipment and services where we can make a difference including the communities of Bega Valley NSW, Mallacoota Victoria, and Adelaide Hills and Kangaroo Island in South Australia.

It is important that I also acknowledge the contribution of my fellow Board members. The SGH Board comprises Directors, whose collective experiences across diverse sectors ensures we retain a deep understanding of business and governance that provides the Group with a balance of skills and knowledge.

I would also like to acknowledge the SGH executive team led by Ryan Stokes as MD & CEO. The SGH team has continued to focus on the performance of our businesses and ensuring the company is positioned to grow with investments in Boral. I would like to pay particular respect in this regard to Greg Graham, who retired on June 30 after seven years as Chief Executive of WesTrac NSW and thank him for his service and contribution to WesTrac's success.

As announced in the August results, I will be retiring from the Board of SGH at the forthcoming AGM. In my 27 years as Chairman, the company has never been in a better position – for both its current and future prospects. All of the businesses are performing exceptionally well with excellent prospects and the investment in Boral has added a new dimension to the Group's future.

We increased the declared dividend by ten per cent in line with our objective of maximising long-term sustainable returns.

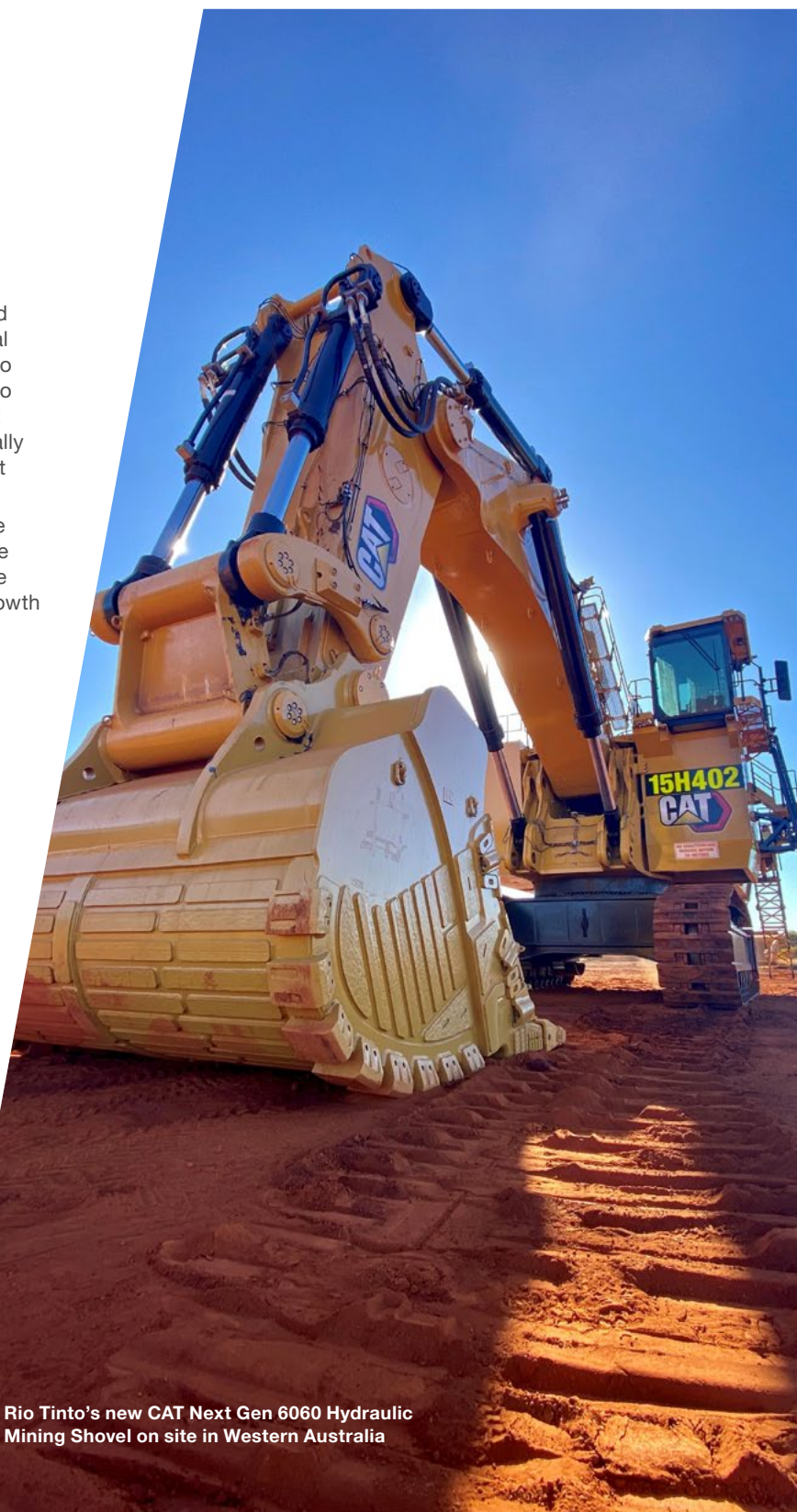
It is rewarding to have been part of the building and development of SGH, and as I step aside, I do so in the knowledge the Company enjoys great management and a strong board, who work together for the common goal of a continuing strong and bright future. I have agreed to the Board's request to stay on in an advisory capacity to provide strategic advice to the Board and Management as required. As the major shareholder of SGH, I am totally committed to its future and the Board and Management have my complete support.

As a result of the vacancy created by my retirement, the Board has unanimously elected Mr Terry Davis to be the incoming Chairman of SGH. Mr Davis has served on the SGH Board since 2010 and has been involved in the growth and success of the Group.

In conclusion, on behalf of the Board I also thank our people, customers and shareholders for their ongoing loyalty and support to our Company.



**Kerry Stokes AC**  
Executive Chairman



Rio Tinto's new CAT Next Gen 6060 Hydraulic Mining Shovel on site in Western Australia

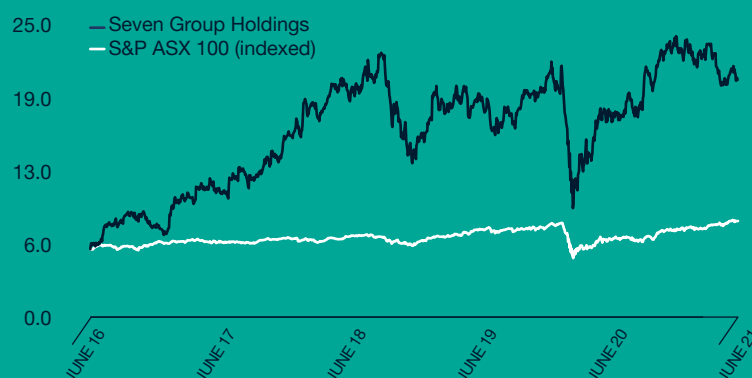
# Managing Director & Chief Executive Officer's Letter

SGH is well positioned  
for further growth and  
shareholder value creation.

Trading revenue  
\$4.8bn

Operating cash flow  
\$622.4m

Seven Group Holdings vs S&P ASX 100



Ryan Stokes AO  
Managing Director & CEO

Dear Shareholders

The FY21 result demonstrates pleasing growth at both a Group level and in terms of our wholly owned industrial services businesses, which continue to perform strongly and benefit from disciplined execution of strategies to enhance our value proposition for customers, improve operating efficiency and expand margins. Seven West Media also performed well, delivering profitable growth and substantial progress on its transformation journey.

The year also saw further improvements in our safety performance, a broadening of our industrial services earnings base, further progress in our developing energy business, and a significant step-up in our commitment to sustainability.

I am proud of our delivery of a result in line with the guidance we provided to the market. This is an endorsement of our strategy and reflects the robustness of our businesses and the extraordinary efforts and capabilities of our employees.

Importantly, SGH remains well positioned to benefit from the strengthening Australian economy. The Group has benefited through the high levels of mining production and increasing infrastructure activity as more projects get underway, along with increasing demand for oil, LNG and East Coast gas. Through WesTrac, Coates, Boral and Beach, SGH is well-positioned for further growth and shareholder value creation from these key thematic.

**As a Group, we are focused on ensuring our people have the resources, skills and guidance necessary for them to succeed and create value.**

SGH Corporate has responsibility for functions such as Group strategy and capital management. Business unit strategy, funding and people and culture is a shared responsibility between SGH and the businesses while the businesses are responsible for delivering on their strategies and identifying opportunities for growth.

This operating model drives disciplined execution and provides for active management of the portfolio and enables SGH to be in a position to adjust and reposition itself and take advantage of any opportunities that may present through market dislocation or value opportunities.

Having identified the value potential in Boral through 2019 we saw the opportunity through the market dislocation in March 2020. After acquiring our 20 per cent interest and securing board representation, our belief strengthened in the value opportunity through divesting the international interests and transforming the operational capabilities of the Australian business. In May, SGH launched a takeover offer and we are very pleased to secure 69.6 per cent, having control and the inclusion of Boral as a subsidiary of SGH.

Boral is a key pillar of growth for the Group. Boral is Australia's largest integrated building and construction materials manufacturer. Its operations increase the Group's exposure to the large pipeline of infrastructure projects which will unlock over the coming years. There is a significant opportunity to drive value through the transformation of Boral where we are seeing the potential with Boral focused exclusively on their Australian operations.

SGH has consistently demonstrated a disciplined approach to financial management and capital allocation. We strive to balance strategic investments and opportunistic acquisitions with judicious and well-timed decisions in relation to the portfolio of interests that make up SGH. The diverse nature of our conglomerate model is a key strength that enables SGH to evolve the portfolio to be best positioned to benefit from medium to long-term trends. Our objective is to deliver long-term and sustainable returns for stakeholders.



Coastwide Civil Construction Site, Wollongong, NSW

## We continue to roll out initiatives to drive an enhanced safety culture and leadership.

A key pillar of the Group's strategic framework is its ability to develop, recruit and retain exceptional people. We have a particular focus on programs such as training, apprenticeships, and trade upgrades to ensure we are able to meet demand for skilled labour. We are also actively investing in programs to build capability and foster a positive and inclusive culture to ensure our people are encouraged to develop the requisite skills and leadership capabilities to deliver value to our customers and stakeholders.

We continue to roll out initiatives to drive an enhanced safety culture and leadership and it is pleasing to see further improvements in our safety performance recorded during the year. We see scope for further gains and safety will remain a key priority.

## Business Units

WesTrac continued to deliver major fleets to customers with the majority at expansion sites. This new machine delivery activity is during a period of record volume for parts and service to support existing, very active ageing fleets across our territories.

A significant achievement was WesTrac's acknowledgement by CAT Inc as the world leading dealer for construction industry aftermarket sales growth, with Western Australia ranked Number 1 and NSW/ACT ranked Number 2. Our strong partnership and shared values with Caterpillar are reflected in our leading market position coupling the quality Caterpillar equipment with our dedicated commitment to support our customers with after-sales service.

The Caterpillar Autonomous Haulage Solution remains the industry-leading technology and a key competitive differentiator. Autonomy has enabled substantial productivity gains for our customers. Through the year, WesTrac achieved a key milestone of the first open cut gold mine to deploy autonomy, with Newmont's Boddington successfully commencing autonomous operations.

Coates delivered earnings growth through a year that presented some unique uncertainties with lockdowns and slower than expected commencements of new projects. The business is well positioned with strong operating disciplines to ensure it can take advantage of the increasing activity.



A Boral cement tanker, Berrima Cement, NSW

Coates continues to evolve its business by offering end-to-end turnkey solutions that include both equipment hire and specialist services, such as temporary works engineering, industrial shutdown management and safety training. A partnership with Bunnings is also targeting an increase in market share among the trades.

Beach achieved further exploration success in the Otway Basin while also achieving Final Investment Decision (FID) for the Waitsia Stage 2 development. These are key transformational moves that increase Beach's gas and LNG exposure. The Western Flank reserves downgrade was disappointing. We are focused on how Beach can take the necessary corrective actions to restore investor confidence.

We believe Beach remains well positioned for the looming East Coast gas shortage and likely price pressure. We also demonstrated our conviction in the investment premise of Beach by buying an additional 1.5 per cent. The investment thematic is further reinforced by a positive LNG price outlook. SGH Energy and its partners in Crux continue to move closer to FID, while the prospects of production from Longtom have been improved by positive infrastructure access developments.

The disciplined execution of Seven West Media's transformation is very pleasing. By systematically working through the issues that confronted it, it has emerged a stronger company without having to resort to raising new capital at a discounted price. The business is now able to consider value accretive opportunities where the business can leverage synergies across costs, revenue and audience.

I would like to acknowledge Greg Graham, who retired on June 30 after successfully leading the WesTrac business in NSW for seven years. It was a great pleasure to work with Greg. Greg is succeeded by Adrian Howard, who has over 20 years' experience in industrial businesses and was Chief Operating Officer for WesTrac NSW.

I would like to pay tribute to the Board for their support, encouragement, and direction and once again acknowledge the contribution of the outstanding people right across our operations in delivering this result. The unrelenting focus on disciplined execution is a hallmark across SGH and our business leaders.

The progress we have made on evolving our operating model coupled with the exceptional executive teams within our operating businesses ensures that the SGH team has the capacity to focus our time on growth opportunities such as Boral. SGH continues to have a clear purpose and an exciting future, and I look forward to sharing it with you.



**Ryan Stokes AO**  
Managing Director & CEO



Coates at ANZ Stadium

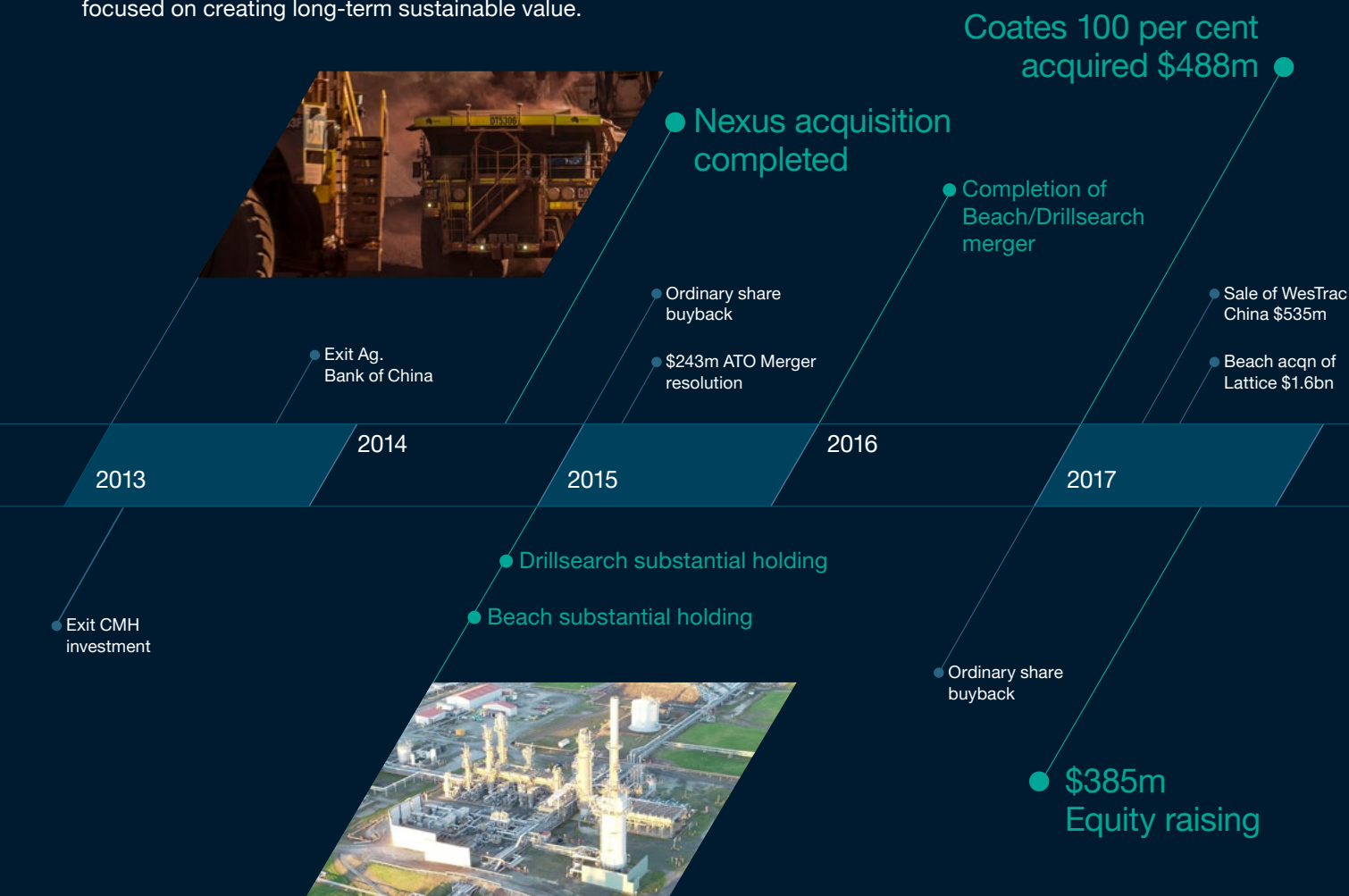


The new CAT 150 Motor Grader with 3D Mastless system

# Evolving to become a stronger and more resilient business.

## Our proven track record

We have a proven ability to operate businesses, particularly Industrial Services businesses, to diligently structure and execute transactions and to remain focused on creating long-term sustainable value.



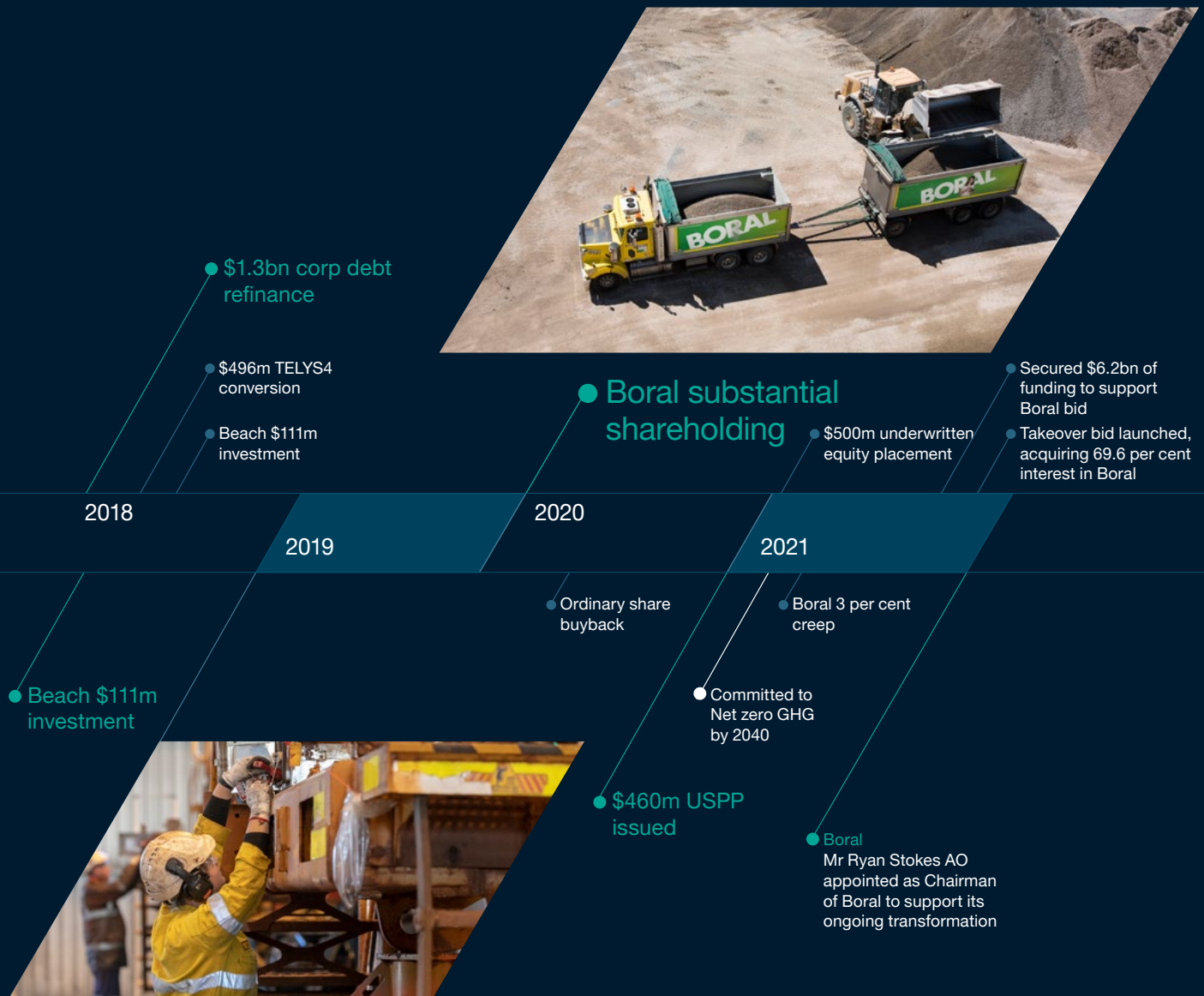
## Evolution of our Group

### Clearly articulated strategy

- Mining production cycle
- Infrastructure investment
- East Coast gas
- Focus on three distinct investment thematic

### Portfolio transformation

- Exit WesTrac China
- Acquire 100 per cent of Coates
- Beach / Drillsearch / Lattice
- 69.6 per cent of Boral



### Share register evolution

- Collapsed TELYS4 structure
- Free float increased
- Innovative use of CB
- Institutional register
- \$533m capital raise enabled Boral bid

### Disciplined transaction execution

- Capital allocation / recycling
- Opportunistic timing
- In-house execution
- Funding capacity to support growth

# Our businesses

## Our businesses

Our diverse portfolio of exceptional businesses are market leaders in their industries.

### WesTrac



**EBIT**  
**\$400.2m**  
**↑8%**  
 100%

Top 5 global dealer, leveraged to mining production cycle, high market share, strong customer base, recurring after market support revenue, CAT product technology advantage



### Coates



**EBIT**  
**\$211.6m**  
**↑4%**  
 100%

Infrastructure exposure without direct contract risk, national network, diversified end markets, operating leverage and scale, opportunity to grow into ancillary services



### Boral



**UEBIT**  
**\$38.0m**  
 June 2021 26%  
 July 2021 70%

Vertically integrated Australian asset base, infrastructure/industrial exposure, barriers to entry, portfolio and cost transformation opportunity



## Energy



**UEBIT**  
**\$102.3m**  
**↓19%**

SGH Energy 100%  
 Beach Energy 30%

Diversified production hubs and gas markets, high proportion of contracted gas revenue, strong balance sheet and cash flow generation, exploration and development upside



## Media



**UEBIT**  
**\$57.0m**  
**↑22%**

Seven West Media 40%

Content led growth strategy, digital innovation and growth, investment in new ventures, industry consolidation opportunities



WesTrac Technology Showcase, Perth, WA



Katie Fellowes from WesTrac moves earth at Tomago, NSW as part of the new retail onboarding program

# Industrial Services

## WesTrac

Trading revenue  
\$3.8bn

Underlying EBIT  
\$400.2m  
↑8%

“As one of the largest authorised Caterpillar equipment dealers, WesTrac works with our customers providing a wide range of machinery and construction equipment as well as comprehensive whole-of-life management solutions designed to make owning and operating equipment as easy, profitable and safe as possible.”

Jarvas Croome, WesTrac CEO

WesTrac is proud to represent Caterpillar in WA, NSW and the ACT and we work closely with customers to ensure they achieve outstanding organisational outcomes.

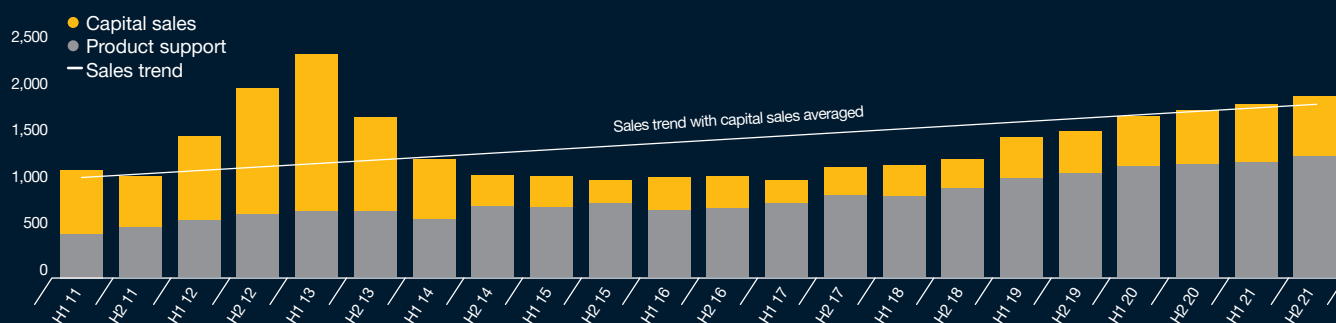
The business had a strong FY21, with new equipment deliveries robust across both the resources and construction industries. In resources, major mine expansions across WA have seen significant deliveries of capital equipment to customers, including Rio Tinto, BHP, Fortescue Metals Group, Mineral Resources and Newmont. Importantly these new equipment deliveries have been not only off-highway trucks but also key loading tools like large wheel loaders and hydraulic mining shovels.

In construction, NSW remained strong throughout the year, while WA saw the market significantly step up with a supportive outlook in many of the construction sectors including residential building and major government infrastructure projects.

WesTrac was recognised by Caterpillar during the year for achieving the highest Construction industry aftermarket sales growth, with WA ranked Number 1 and NSW Number 2. Caterpillar also ranked WesTrac among its global top 5 dealers for parts excellence, a recognition of the important investments we have made in our business over many years.

Machine operating hours remained strong throughout the year, driving strong demand for aftermarket parts, service and rebuilds. WesTrac's facility infrastructure investments helped meet this growing demand with further capacity expansion underway to ensure the network remains well placed to support customers. Key facility projects completed through the year included the Tomago Machine Shop, expansion of capacity at Welshpool and Reid Road, and the commencement of refurbishment activities in South Guildford. Combined with expansion to hydraulics and additional automated racking systems at select locations, the execution of these projects is an important step in ensuring our customers can access the right part at the right place and the right time.

Trading revenue (2011 to 2021 by half)  
(\$m)



Complementing the physical assets has been the launch this year of the FitFleet customer portal, which helps customers access the critical information to support and maintain their mixed fleets. Using data-driven insights into the overall health and utilisation of machines, customers can also select from an entry-level do-it-yourself and pay-as-you-go model, to a full service offering under which WesTrac takes care of all maintenance and repair requirements, notifying customers when service is required and making bookings for it to be carried out.

Technology and innovation continue to be a main driver of our and our customers' success. Many of our customers, working closely with Caterpillar and WesTrac, have been able to implement industry leading technology, including autonomy solutions, that continue to provide incremental productivity and performance benefits in a wide range of applications.

With the largest operational fleet of autonomous trucks anywhere in the world, WesTrac worked with the Western Australian Government to open the WesTrac Technology Training Centre in Collie WA in August 2020. This facility helps support the growth and development of the workforce that the industry and our customers require to install and maintain autonomous fleets. Over time we see the opportunity to expand this capability as autonomous drilling and remote control dozing technologies are increasingly adopted in industry.

Whilst the early adoption of autonomous technology was with major iron ore companies, WesTrac is also proud to be working with Newmont on the first application of the technology into a gold mine. Newmont's Boddington site commenced autonomous operations during the year, the first gold mine in the world to do so. Work is also well advanced with Rio Tinto as the Gudai-Darri Mine of the Future comes to life with the implementation of the first ever autonomous water truck.

On the East Coast, we have seen ever increasing interest on the application of autonomous technology as an option to further extend mine lives and drive down operational costs.

In the construction industry, technology continues to play a pivotal role in improving productivity, safety and cost efficiency. The embedded 3D capability in the modern Next Generation excavators provides customers with additional opportunity to cost effectively realise the productivity and cost benefits of technology.

**"Our objective is to be the customers' first choice in equipment solutions with a zero-harm safety culture and a focus on growth and sustained profitability."**

**Adrian Howard, WesTrac CEO NSW/ACT**

Across the Caterpillar range we continue to see step changes in technology that not only assist customers with lowering total life cycle costs but also making meaningful contributions to the lowering of emissions. Increased availability of Tier 4 engines, the introduction of electric drive into wheel loaders and dozers and other equipment improvements have seen up to 30 per cent reductions in fuel burn with associated emissions reductions.

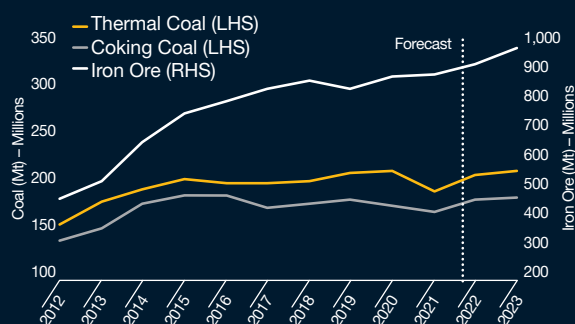
Another hallmark of the WesTrac business is the opportunity that Caterpillar products provide for rebuild and reuse. WesTrac works constructively with customers to refurbish old components and equipment, returning them to a like-new state that ensures a longer productive life. This is an increasingly important part of the WesTrac business as customers manage capital expenditure and continue to focus on life cycle costs and as understanding of the benefits of a circular economy increase.

WesTrac team members are a critical part of our local communities. We are extremely proud of the role they play across Australia supporting not only our customers, but also volunteering as bush firefighters, ambulance officers, surf lifesavers and raising money for many local projects and community groups.

Our team takes pride in their technical abilities and WesTrac plays a critical role in developing the future skilled workforce through our national accredited training institutes in WA and NSW, which train apprentices for WesTrac and our customers. We delivered over 2,000 training courses this year for our team and our customers on everything from working at heights through to servicing diesel engines. One of our key strengths is our ability to attract, retain and train the best talent in the industry.

Looking forward, the outlook remains robust. Construction is expected to exhibit continued strength, with a healthy pipeline of projects across both the East and West Coasts. In resources, a strong pipeline of further projects and contracts for delivery in next financial year are supported by a solid outlook for iron ore and coal prices.

### Key commodity exposures



Source: historical data ex ABS, Bloomberg, forecasts ex Department of Industry, Science, Energy and Resources June 2021 quarterly

**CAT Hydraulic Mining Shovel and Off Highway Truck in action at Bluemetal Quarry, Perth, WA**

# Industrial Services

## Coates

Trading revenue  
\$945.6m

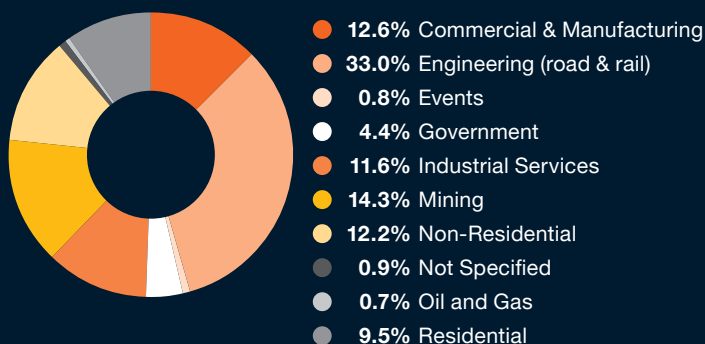
Underlying EBIT  
\$211.6m  
↑4%

Coates is Australia's leading equipment hire and solutions provider. With a national footprint of over 150 branches, more than one million pieces of equipment and almost 2,000 highly skilled employees, Coates plays an essential role in helping key sectors of the Australian economy – including construction, engineering, mining and resources, infrastructure, manufacturing, agriculture and major events – operate and thrive. With roots dating back to 1885, when the company was founded to support Victoria's growing gold-rush cities, Coates has grown and evolved from being a pure provider of equipment to a provider of equipment, services and solutions for almost 19,000 customers, from small trades to Australia's largest companies.

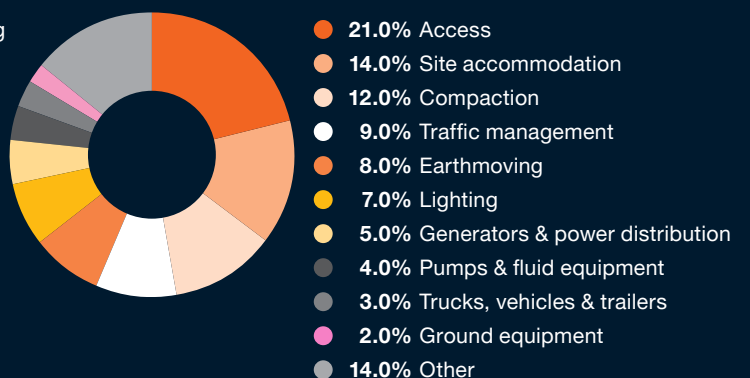
FY21 saw subdued levels of market activity for Coates, with project delays and interruptions due to COVID-19 lockdowns and flooding. Despite this, Coates delivered year-on-year earnings growth. The company continued to work on major infrastructure projects across the nation, including; Western Sydney Airport, Snowy Hydro 2.0, Sydney Metro, Parramatta Light Rail and the Port Kembla Import Terminal in NSW; the Westgate Tunnel Project, Outer Suburban Arterial Road program and Melbourne Metro Rail Tunnel in Victoria; the Cross River Rail and Carmichael Rail projects in Queensland, and soon the Gold Coast Light Rail Project; and the Osborne Naval Shipyard in South Australia. Coates also continued to provide equipment hire and solutions to major customers such as BHP, Rio Tinto, Fortescue Metals, Alcoa, and Chevron, and to major construction customers such as CPB, BMD, Downer, John Holland, Acciona and Fulton Hogan.



Breakdown of revenue by industry user group (%)



Coates Assets (%)



“Our vision is to be the market leader in safe, smart and sustainable equipment solutions. We are much more than an equipment hire company, we are an end-to-end solutions company equipped for anything including dry hire of equipment, temporary works engineering, industrial shutdowns, and training.”

**Murray Vitlich, Coates CEO**

To adapt and respond to subdued market activity in FY21, the Coates management team focused on driving operational efficiency and building resilience throughout the business. This agenda included optimising the fleet to match demand, focus on strategic pricing, and driving asset utilisation to best practice benchmarks. Other initiatives included simplifying the customer experience through digitisation and the implementation of self service technology, as well as the rebranding of the business to Coates in order to highlight the broader customer offering of equipment hire and solutions provider.

Looking ahead, market activity is expected to continue the momentum seen in the final quarter of FY21. A further injection of Government infrastructure spending will expand the already large pipeline of announced infrastructure projects. The Victorian State Budget contained an additional allocation to the Melbourne Metro Tunnel Project while the Federal Budget contained an additional \$15.2 billion funding (over ten years) for road, rail and community infrastructure projects. The Federal Budget also included a \$1 billion extension to local roads and community infrastructure over the next two years. Importantly, this commitment is provided on a “use it or lose it” basis which is likely to generate additional opportunity.

Coates also continues its journey to reposition itself as an integrated end-to-end solutions provider offering not just a diverse fleet of equipment for hire, but also expert specialist services such as:

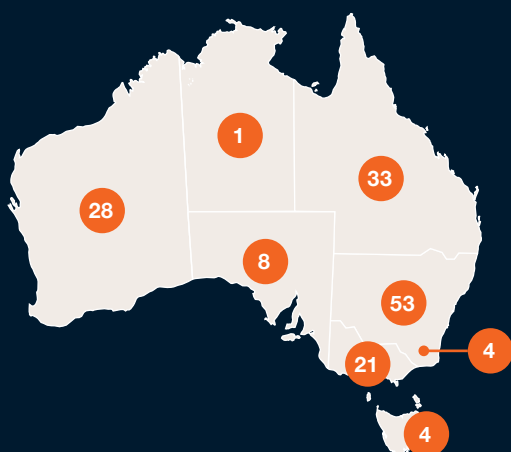
- **Engineering Solutions** offering comprehensive technical support and assistance in the concept and design of all temporary works engineering solutions such as structural propping, shoring and water treatment.
- **Industrial Solutions** providing onsite project facilities and tool stores to support shutdowns and maintenance, giving customers access to thousands of products at their own site.
- Other specialist offerings include **HVAC** (heating, ventilation and air conditioning), **Technology** (innovation such as using drones for site surveillance, and partnering with research institutions to develop new products and techniques), and **Training** in the use of the equipment and safety.

To enable the company's transformation to offer more than just hire, Coates has tailored its marketing strategies and campaigns to improve market penetration and make better use of existing national networks by enhancing customer experience through differentiated service and offerings, such as:

- **Top Tier** – Promoting end-to-end solutions, innovating with digital service and self-service technology.
- **Mid Tier** – Differentiated offerings, for example bundled packages, flex tool offerings, service guarantees, and simplified access.
- **Trades** – Partnering with Bunnings to facilitate access to Coates equipment hire through the Bunnings Warehouse stores nationally.

With these initiatives and strategies, we believe Coates can achieve its targeted growth to \$1.25bn in revenue by 2025.

Coates branch network



Hydraulic Shoring Solution designed, certified and project managed by Coates for installation of a car stacker, Manly Wharf, NSW



# Industrial Services

## Boral

Underlying EBIT  
\$38.0m



Boral Recycling Widemere Plant, NSW

Boral is a leading building and construction materials group with operations in Australia and North America.

In Australia, the company supplies, produces and sells a broad range of construction materials including quarry products, cement, fly ash, concrete, asphalt and recycled materials, as well as timber, roofing and masonry products. Boral Australia currently employs around 6,000 people and its construction materials operations span 367 operating sites.

In North America, the company has a leading fly ash business and a building products business (which it reached agreement to sell for a consideration of ~\$A2.9 billion towards the end of FY21).

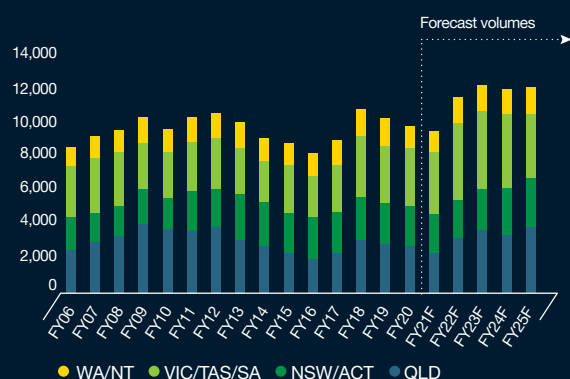
SGH invests opportunistically in businesses that have medium to long-term tailwinds in sectors we have a strong understanding of, and where we believe the business can generate attractive returns on investment with the support of the Group. Boral fits this mould.

SGH began investing in Boral during FY20 with the view that value within the Australian business could be unlocked via divesting the US operations to release capital and focus on improving underlying performance at Boral Australia with stronger operational disciplines. We were successful in securing board representation to support the execution of the strategy.

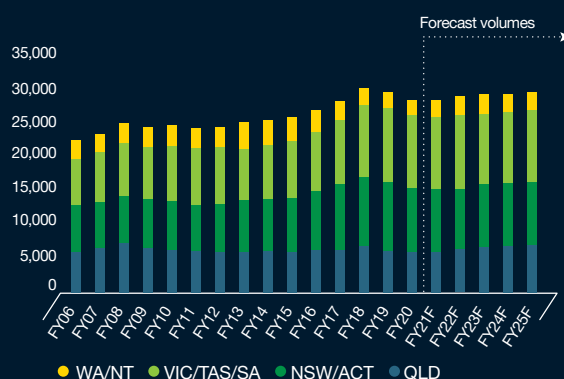
In recognising the unique opportunity that would come from the divestment of the US operations we determined that SGH should increase its holding to make it a material investment for the Group. During FY21, we launched an off-market takeover offer consistent with our own objectives to further build our exposure to Australia's infrastructure sector.

At the close of the 2021 financial year, SGH's offer for Boral remained open and the Group's stake was 26.1 per cent. However, following the offer close on 29 July 2021 SGH held 69.6 per cent of Boral shares on issue. In FY22, Boral will become a subsidiary of SGH and will be consolidated into the company's financial accounts.

Asphalt demand  
(<sup>'000</sup>) tonne



Pre mix concrete demand  
(<sup>'000</sup>) m<sup>3</sup>



"Overall, our priorities are clear: the building of a stronger, better performing, more customer-focused Boral, with a portfolio of businesses that are delivering strong returns for our shareholders, in an organisation of proud and engaged people."

**Zlatko Todorovski, Boral CEO**

We are confident in the ability to improve the underlying profitability of Boral Australia to deliver strong returns over the long term and through the cycle. In addition we acquired control of a company with surplus capital and a material property portfolio.

Exposure to infrastructure spending and construction, particularly across the non-residential sector, is a key investment theme for SGH – and Boral, like Coates and WesTrac, increases our exposure to this sector.

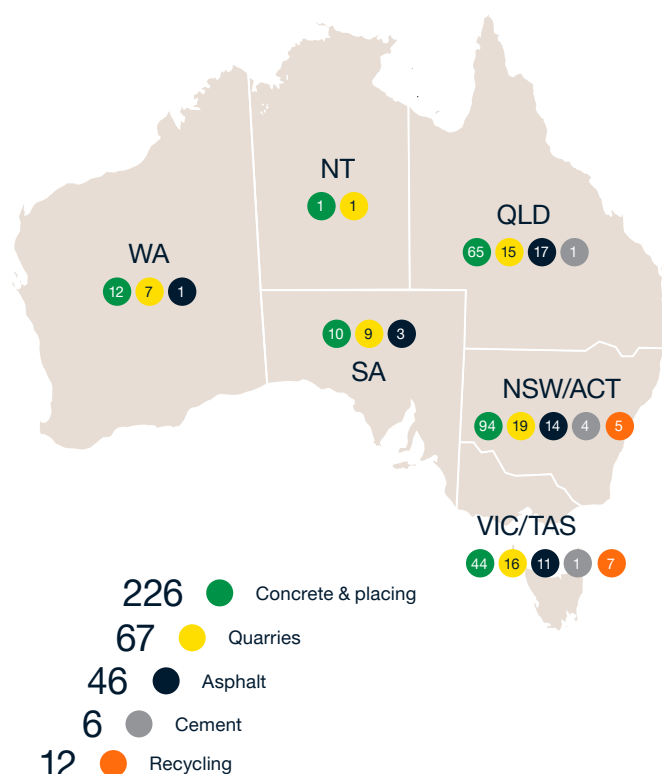
Boral has commenced a significant transformation program with the long-term objective of delivering sustainable returns and improving return on capital employed across the cycle. SGH believes that these ambitions are obtainable but that they will necessarily require a very disciplined approach to operational and capital management if Boral is to deliver improved margins and returns on invested capital exceeding its cost of Capital.

It is SGH's intention to protect and grow the value of its investment on behalf of SGH shareholders. This requires disciplined execution from management to deliver the financial targets within its transformation program.

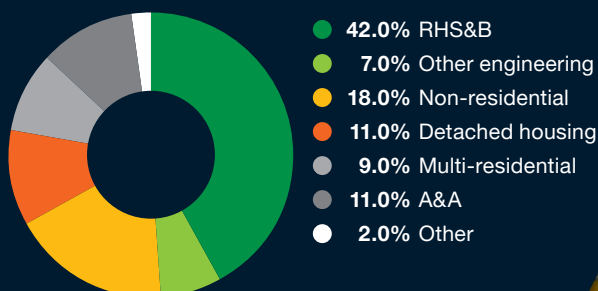
One of the strengths of SGH is the ability to take a flexible approach to its portfolio, wholly owning both WesTrac and Coates and investing for control, effective control or exposure across a range of businesses, assets and opportunities. When SGH offered fair value for Boral shares and provided liquidity to shareholders who had been trapped in an underperforming investment, many took the opportunity to exit.

Over the medium to long-term, SGH believes Boral is well positioned to take advantage of continued infrastructure and construction activity, particularly on Australia's East Coast. Furthermore, shareholders stand to benefit from the continued program of asset divestments in North America.

## 367 operating sites across Australia



Boral revenue by application (%)

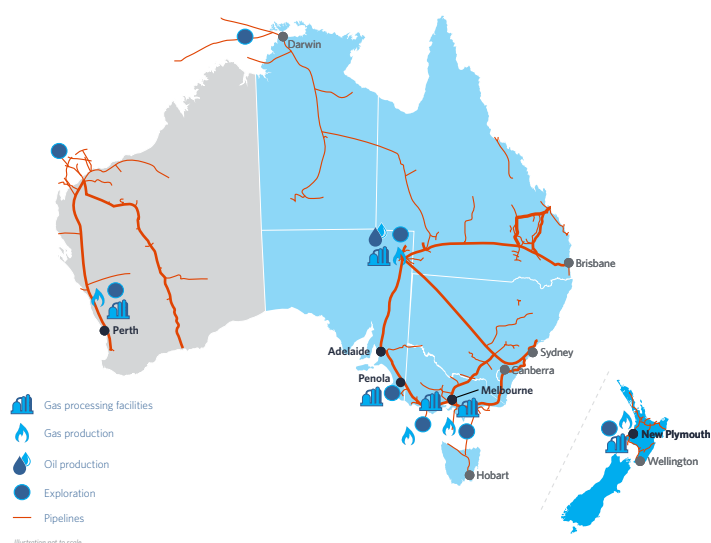


Lower Carbon Concrete Pour at Kenwick, Perth, WA

# Energy Beach Energy

Trading revenue  
\$2.8m

Underlying EBIT  
\$102.3m  
↓19%



## Energy

Global oil and gas prices rebounded in the second half of FY21 from record lows in FY20 that were largely fueled by declines in international air travel and economic activity due to the pandemic.

It is possible these higher oil prices may be sustainable for longer than expected, given the under-investment in replacing depleting producing capacity and potential tightness in inventories. The global longer-term LNG outlook also remains positive, with coal-to-gas switching driving growth in Asian demand and the effect of LNG investment delays that were caused by recent disruptions potentially exacerbating the forecast longer term supply-demand gap.

## SGH Energy

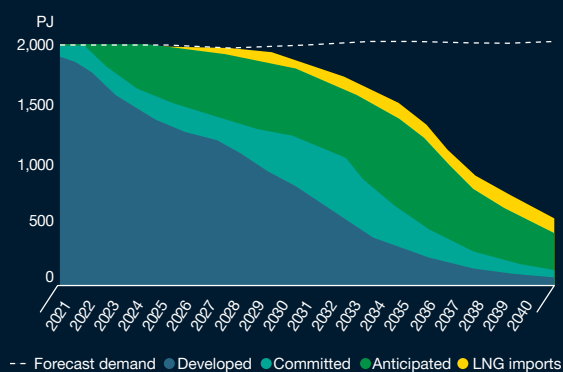
The Group's wholly owned SGH Energy business is continuing to progress its own gas assets towards production.

SGH Energy has a 15 per cent interest in the Crux project. SGH Energy continues to work with its joint venture partners Shell (operator) and Osaka Gas to progress the Crux development project, which is an important longer term backfill opportunity for the existing Shell-operated Prelude Floating LNG facilities.

As of the second half of FY21, the project has completed Front End Engineering Design (FEED) and is preparing to evaluate proposals for the Detailed Engineering and Execution phases, followed by the Final Investment Decision (FID).

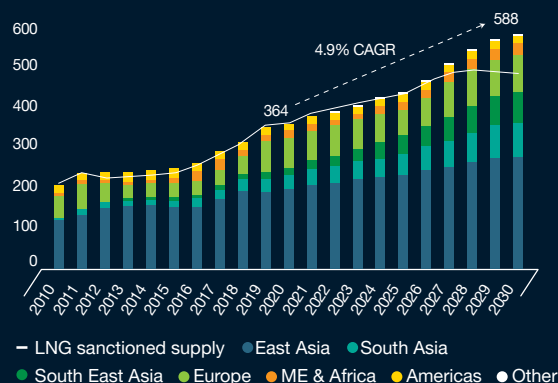
SGH Energy's wholly owned Longtom project continues to make progress towards restarting production and the development of further resources from its permit area in the Gippsland Basin.

Projected eastern and south-eastern Australia gas production



Source: AEMO Gas Statement of Opportunities (March 2021)

Global LNG demand by region and supply balance



Source: Rystad Energy

“As a dispatchable, reliable and affordable energy source, gas is important in the changing mix of energy in Australia and the Asia-Pacific region.”

**Margaret Hall, SGH Energy CEO**

The structural short supply position facing Australia's East Coast gas market is an attractive opportunity for SGH Energy to bring to market a local dispatchable supply of energy from Longtom to the south-eastern markets.

Access to infrastructure for transport and processing of Longtom's gas and condensate is the primary focus to achieve re-start, with negotiations progressing during FY21.

### **Beach Energy (30 per cent owned)**

Beach has a diversified asset portfolio comprising operated and non-operated, onshore and offshore, oil and natural gas production from five producing basins across Australia and New Zealand, as well as a number of high potential exploration prospects. Its portfolio also includes interests in strategic oil and natural gas infrastructure, such as the Moomba processing facility and Otway Gas Plant.

Beach's development in recent years has seen it evolve into a primarily gas-focused operator, supplying approximately 15 per cent of East Coast domestic natural gas demand. The prospects for gas to be a transition fuel in the near to medium term underwrites Beach's long-term value. Restoring investor confidence in Beach following a downgrade of its Western Flank oil and gas reserves and achieving a share price more commensurate with its prospects is a priority for SGH. Board and management changes have been made to strengthen oversight and accountability and SGH demonstrated its ongoing commitment to Beach by increasing our shareholding by 1.5 per cent to 30 per cent.

Beach's FY21 production mix is made up of 55 per cent gas and 45 per cent liquids, of which 31 per cent is oil and approximately 13 per cent is condensate and LPG.

### **For Beach, highlights in FY21 include:**

- Positive developments in the Otway Basin further enhance Beach's ability to meet the growing East Coast demand for gas. These developments include drilling success with the Enterprise-1 and Artisan-1 wells and a favourable determination by the independent arbitrator for the price for Otway gas.
- Acquisition of Cooper Basin oil and gas assets from Senex Energy, increasing Beach's 2P reserves by 6.9 MMboe.
- Achieving Final Investment Decision (FID) for Waitsia 2 (Perth Basin), allowing Beach to start marketing up to 3.75 MT of LNG from H2 2023.
- Beach is on track to meeting a commitment to reduce emissions via the Moomba Carbon Capture and Storage (CCS) project and is now undertaking Front-End Engineering and Development (FEED).



# Media

## Seven West Media

**Underlying EBIT**  
**\$57.0m**  
**↑22%**

“We are now two years in to our three year strategy. The debt position is now sustainable, operating costs have been significantly reduced, our revitalised content schedule is improving ratings and we are delivering strong growth in digital revenue.”

**James Warburton, Seven West Media MD & CEO**

Seven West Media (SWM) is one of Australia’s most prominent media companies, with a market-leading presence in content production across broadcast television, publishing and digital. It houses some of Australia’s most renowned media businesses, including the Seven Network and its affiliate channels 7two, 7mate, 7flix; broadcast video on demand (BVOD) platform 7plus; 7NEWS.com.au; The West Australian; and The Sunday Times.

Under the leadership of James Warburton, SWM began implementing a substantial transformation program incorporating content-led growth, improvements in management of costs, and rapid retirement of debt.

The media sector has begun to recover from the disruption caused by the COVID-19 pandemic, content production has resumed and the Tokyo Olympics successfully rescheduled. Advertising revenue is recovering strongly relative to the significant impact on advertising markets in that period. Seven took the opportunity to accelerate the delivery of its transformation goals during the disruption and remained competitive.

It refreshed its primetime entertainment slate during FY21, with six new external tentpole commissions launched. This new content schedule delivered a richer demographic profile for advertisers with Seven the only network to grow ratings share in 16–39s and 25–54. Seven Network ranked #1 in 14 of the last 26 weeks of FY21.

Sport is also a key pillar in Seven’s content strategy, with key offerings including AFL matches, Test cricket and the Olympic Games. These key sporting events deliver positive bookings.

With the revised content schedule driving total audience numbers, the outlook for revenue is positive, albeit with roughly a 12-month lag between ratings and revenue.

**Seven’s content led growth to drive FY22 ratings**



BVOD continued to grow strongly during FY21 with 7plus growing revenue 78 per cent versus market growth of 55 per cent. 7plus secured a 36.9 per cent revenue share in the 2021 financial year, a 4.8 percentage point increase on the previous corresponding period.

In FY21, SWM established landmark commercial agreements to provide news content to Facebook and Google. These are significant partnerships that recognise the investment and quality of SWM's news reporting and journalism.

Seven digital contributed earnings before interest, tax, depreciation and amortisation (EBITDA) of \$60.5 million in FY21, up 131 per cent year-on-year. Digital earnings are expected to be more than \$120 million in FY22.

Seven has delivered \$170 million of its gross cost-out initiatives and actioned a further \$30 million in additional cash and operating savings. Cost control remains an ongoing focus for SWM, with costs of \$1,022 million, at the lower end of the guidance range. The result of these initiatives, market recovery and growth in TV and digital was a 105 per cent increase in group EBITDA.

Significant work has been undertaken in FY21 to further improve the company's balance sheet. Net debt at the end of FY21 was \$240 million, compared with \$398 million a year earlier. This includes the permanent retirement of \$250 million during the year. Group leverage is now below 1x Net debt/EBITDA, which is the lowest level since 2004.

### Other Media Investments

The Group also has an investment in funds managed by China Media Capital (CMC) Group. CMC is a leading equity investment group in Greater China with a focus on investing in the media, entertainment, internet, mobile, lifestyle or related industries and primarily targets the Chinese consumer markets.

Fund 1 is in the exit phase of the fund lifecycle and Fund 2 is near fully invested and beginning to exit some of its investments, with the terms of the partnership expected to end during 2024 and 2026 respectively (but subject to extension or early termination of the fund).

The Group has committed capital of US\$100 million across the two funds as a limited partner. During FY21, the Group received distributions from the portfolio of \$6.0 million.

To date, Fund 1 has returned back more than the Group's capital commitment with four of 15 investments in the fund fully exited. Recent listing of funds investments indicates ongoing success of the strategy and improved performance is expected in FY22.

## Other Investments

SGH maintains a portfolio of opportunistic investments in sectors it has a strong understanding of and where it believes it can contribute to generate value.

SGH's internal investment committee has a dual track process, monitoring market developments and trends for dislocation that may see assets priced below its assessment of their intrinsic value as well as evaluating over-the-horizon trends for threats and opportunities.

Included in the portfolio is AllightSykes, a manufacturer of lighting towers, Sykes pumps, distribution of FG Wilson generators and dewatering equipment and distributor of Perkins engines.

The Group's listed portfolio at 30 June 2021 has a book value of \$186.3 million. Since year end, a significant portion of the listed portfolio has been sold (see Note 30: Events subsequent to balance date in the Financial Report). The Group maintains adequate financial capacity and flexibility so that when appropriate it can act decisively to take advantage of opportunities to drive shareholder returns.

The Group also holds legacy property assets which it will look to develop or realise over time. These include the Kings Square 6 and Kings Square 7 developments on the site of the former Perth Entertainment Centre as well as the Dianella residential development on the site of the former Seven television studios in Perth.

### Sunrise Team:

**Sam Mac, Edwina Bartholomew, Natalie Barr, David Koch, Mark Beretta**



**Channel 7 Olympic Commentators for Tokyo 2020:**

Edwina Bartholomew, Annabelle Williams, Johanna Griggs, Luke Darcy, Abbey Gelm, Bruce McAvaney, Hamish McLachlan, Matt Shirvington, Mel McLaughlin, Lisa Sthalekar, Andy Maher



# Sustainability



A Plant Mechanic working at the WesTrac Component Rebuild Centre, Tomago, NSW



Peta and Anthony Oldfield from Oldfields Australia standing in front of their new CAT 299D3 XE Compact Track Loader with a CAT HM315C Mulcher

## Making a positive impact for our people and our community

SGH has a proud history in corporate social responsibility, evidenced through our dedication to staff well-being and safety, innovations within our businesses to re-use equipment and minimise waste, and our actions in the community.

We pride ourselves on a disciplined approach to capital allocation, but we also recognise that our long-term investment success is a product not only of how we manage our businesses but also how we conduct ourselves and operate in the broader community. SGH has long reported on its practices in relation to its people, the environment, and social responsibility, principally in relation to its wholly owned operating businesses, WesTrac and Coates, as well as safety and environmental practices relating to SGH Energy.

More broadly, over the course of this year SGH has worked to expand and systematise our approach to corporate social responsibility and sustainability beyond our traditional areas of focus. In line with this, we are very pleased to note that in the coming month we will be publishing our first standalone Sustainability Report for FY21. This Sustainability Report will contain additional details and metrics relating to the initiatives detailed in this section, as well as a description of our ESG (Environmental, Social and Governance) methodology and TCFD (Task Force on Climate-Related Financial Disclosures) disclosures.

## Vaccination Recognition Program

In August 2021, the Group announced the roll out of a Vaccination Recognition Program to recognise employees who have been vaccinated by 15 November with a gift voucher.

**FY21 LTIFR**  
**0.66**

**FY21 TRIFR**  
**5.90**

## Health, Safety & Wellbeing

First and foremost among our priorities is our commitment to the safety and wellbeing of our 5,800+ people. Our safety-first approach and culture are holistic, and we provide a wide range of preventative health and wellbeing support for our people.

The Group has supported the implementation of safety cultural transformation programs and training in recent years. Our objective is “zero harm” and we have seen significant improvements in the understanding of safe work practices and in safety metrics across the Group. Initiatives of note include WesTrac's Elimination of Live Work strategy and a trial of 3D collision avoidance technology at Coates that should deliver enhanced safety for construction and mine sites.

Other safety initiatives include a hand and finger injury prevention campaign which was launched by WesTrac in FY21, designed to reduce overall hand and finger injuries by 60 per cent by FY23. Initial results are encouraging, with an 18 per cent reduction of hand and finger injuries during Q4 FY21, and a reduction in lost time due to hand and finger injuries.

Coates has maintained a continued focus on reduction in harm through several initiatives resulting in a significant reduction in safety incidents and worker's compensation costs over the last five years. In addition the implementation of Donesafe, a new safety reporting and management system will further improve safety performance.

WesTrac also encourages employee feedback to design and drive safety focused initiatives through its 'Built by Us' program. This program was formally recognised in October, receiving the Enterprise Safety Program Initiative Award at the 2020 Australian Workplace Health & Safety Awards. Additionally, WesTrac NSW won the best Work, Health and Safety Improvement category in the 2021 Hunter Safety Awards.

Overall, the Group continues to record improvement in total reportable injuries and lost time due to injuries. These reflect proactive initiatives including: risk awareness training; workplace inspections; risk reviews; high potential incident investigations; and introducing an early intervention program for musculoskeletal injuries.

Mental health is also an area of focus as we continue to mitigate the impact of COVID-19 on employee wellbeing and business operations. We support initiatives such as Mates in Construction, Healthy Minds and R U OK?, as well as providing Employee Assistance Programs and support for flexible working arrangements.

## Diversity & Inclusion

The Group is committed to supporting open and inclusive workplaces that embrace and promote diversity and equal opportunity. SGH recognises a diverse workforce which is a fundamental element for providing diversity of thought and ideas to sustain our competitive advantage. Key accountabilities to support this agenda are outlined below:

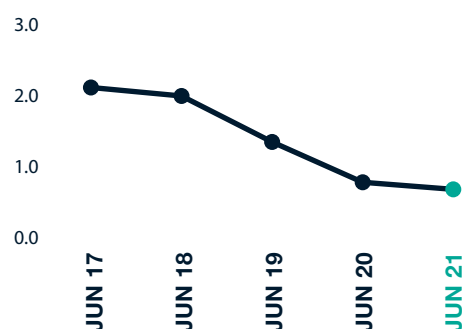
### Board

- Sets objectives and works to ensure that organisational behaviour is consistent with an inclusive workplace that embraces diversity.

### Executive Team

- Sets objectives and demonstrates behaviour consistent with an inclusive workplace that embraces diversity.
- Adheres to the minimum standards of behaviour outlined in the Policy.
- Reports unacceptable behaviour and appropriately and promptly deals with any complaints made.

Rolling 12 Month LTIFR



Rolling 12 Month TRIFR



(a) Lost Time Injury Frequency rate (LTIFR) – the number of work related injuries that resulted in time lost from work, per million hours worked.

(b) Total Recordable Injury Frequency Rate (TRIFR) – the number of work related recordable injuries per million hours worked.

# Sustainability

## Managers and Supervisors

- Demonstrate behaviour consistent with an inclusive workplace that embraces diversity and promote such a workplace by:
  - Encouraging the sharing of diverse experiences and perspectives;
  - Identifying and considering how particular diverse attributes can create value and assist employees to make such a contribution.
- Fairly reviewing performance against set objectives at least once a year.
- Adhere to the standards of behaviour outlined in the SGH Diversity Policy.
- Report unacceptable behaviour and appropriately and promptly deal with any complaints made.

All Group businesses have defined diversity and inclusion objectives that continue to build on the foundation of previous strategies to ensure an open and inclusive workforce. Diversity and Inclusion policies, specific work practices and guidelines underpin those objectives to ensure year on year improvement in gender diversity across the Group.

## Company progress on diversity objectives in 2021:

### Measurable Objective – Flexible Work Practices

Flexibility provides employees with a wider range of choices as to how, when and where they are able to undertake their work activities.

- Development of flexible work practices, tailored to individual needs, to assist employees to balance work with family, carer or other responsibilities.
- Practices may be formal, such as part-time hours, or informal, such as working from home.

Flexible work practices are a key aspect of the Group's diversity strategy and as detailed last year, enhanced flexible work practices across our business in FY20 were critical for the Group's ability to transition to remote working in the wake of the COVID-19 pandemic.

With the significant increase in the utilisation of flexible working practices over the last 18 months the Group businesses have continued to enhance options available to employees including adjustments to working hours, patterns of work and work locations, telecommuting and job sharing.

Both WesTrac and Coates are recognised and accredited as employers offering flexible practices on diversity focused job boards which has been a positive result for attracting diverse talent. For employees, the flexible work practices instituted over the past 18 months have seen a significant increase in the number of employees entering into formal flexible working arrangements, with 83 team members in WesTrac WA and 135 in NSW (representing an increase of 114 during FY21).

### Measurable Objective – Equal Opportunity

The Company strives to make decisions in a transparent and fair manner that excludes conscious or unconscious biases that might discriminate against certain employees or candidates.

- Employment and remuneration decisions are based on merit, ability, performance and potential.
- Recruitment, internal and external, is conducted through the assessment of individual merit, skills and experience.

## Gender

Over the past 12 months, progress has been made on increasing female participation in apprentice programs and trade roles, as well as the proportion of females in supervisory and management roles.

The proportion of females in management roles increased in FY21. WesTrac's female participation rate in management was 19 per cent in WA and 11 per cent in NSW, while the female participation rate at Coates was 16 per cent. In trades-based roles, females represented 14 per cent of new WesTrac apprentices in WA and 11 per cent in NSW. While the number of females in trades roles increased at Coates during the year, it remains low on a comparative basis and the business is working on strategies to increase female workforce participation in those segments. Coates has also launched the Leadership, Excellence and Performance (LEAP) program to support the mentoring and development of female future leaders.

The use of HR analytics continues to provide greater insights to mitigate any potential issues with respect to unconscious bias in our systems, policies and processes and behaviours. A key element is the continual review of recruitment, remuneration and turnover information to identify any potential areas of bias at all stages, from the review of job applications through to final hiring decisions. In addition, the provision of this information to our people leaders through regular reporting and dashboards provides immediate and ongoing feedback on progress against diversity targets.

Reducing the gender pay gap across the Group businesses remains a key priority, with reviews undertaken on a regular basis as part of any broad remuneration review process as well reviewing pay parity for any individuals for changes in their role. A detailed review at WesTrac of roles not covered by an Enterprise Agreement confirmed that there is no pay gap with respect to males and females in similar roles. Having addressed parity through additional targeted salary increases, the gender pay gap at Coates, excluding employees covered by an Enterprise Agreement, has further reduced in FY21 to 0.9 per cent.

### Gender Diversity as Reported to the Workplace Gender Equality Agency

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

| 2021                     |                 |                     |
|--------------------------|-----------------|---------------------|
| Level                    | Number of Women | Proportion of Women |
| Board                    | 2 of 9          | 22.2%               |
| Senior Managers/Managers | 78 of 567       | 13.8%↑              |
| Whole of organisation    | 924 of 5,835    | 15.8%↑              |
| 2020                     |                 |                     |
| Level                    | Number of Women | Proportion of Women |
| Board                    | 2 of 9          | 22.2%↑              |
| Senior Managers/Managers | 84 of 629       | 13.4%↑              |
| Whole of organisation    | 919 of 5,878    | 15.6%↑              |
| 2019                     |                 |                     |
| Level                    | Number of Women | Proportion of Women |
| Board                    | 2 of 10         | 20.0%               |
| Senior Managers/Managers | 72 of 600       | 12.0%               |
| Whole of organisation    | 888 of 5,768    | 15.4%               |

- Senior Managers/Managers includes Executive Directors of Seven Group Holdings Limited and its subsidiaries as well as all other Managers as defined by the Workforce Gender Equality Agency (WGEA).
- For the purpose of this section of the report, employee numbers and statistics have been calculated based on information as at March 31, provided to WGEA as part of the SGH annual reporting requirements.

As at 30 June 2021, the proportion of female employees across SGH is at 15.9 per cent.

### Aboriginal & Torres Strait Islanders (ATSI)

SGH's targeted intake of indigenous apprentices has continued, with further enhancements to support structures and programs to assist new employees with their transition in the Group.

SGH's commitment to supporting indigenous communities includes employing and training indigenous workers and supporting indigenous businesses. Initiatives include:

- The successful launch of the "Reflect" Reconciliation Action Plan by Coates in FY21, and planning for WesTrac to commence development of its first RAP in FY22 incorporating learnings from Coates' experience. Coates is now preparing its second RAP, "Innovate" to build on progress made last year.
- A three-year partnership between Coates and the Clontarf Foundation (supporting 120 Aboriginal and Torres Strait Islander students at Clontarf Academies).
- WesTrac's continued support of the Carey Bindjareb and Olabud Doogethu programs in WA. Carey Bindjareb provides industry training for Aboriginal and Torres Strait Islanders engaged in the criminal justice system while Olabud Doogethu is providing training for indigenous Halls Creek locals to operate CAT equipment. Both programs aim to help provide locals with employment and career opportunities.
- WesTrac also partners with Nudge, an organisation that works with the indigenous community to place young people into jobs and traineeships – 16 per cent of WesTrac's WA apprentice intake in FY21 identified as indigenous, with a 100 per cent retention rate. WesTrac also supports indigenous employment agency Six Season Resources and has listed it as a preferred supplier for labour hire.
- Coates has established partnerships with local Chambers of Commerce to support ATSI businesses across Australia and has set targets to increase ATSI business procurement of suppliers engaged in a tender by 2022 and total supplier spend to ATSI-owned businesses by 2022. Coates has also set targets to lift ATSI employee participation and apprenticeship participation by 2025.

#### Gene Barry from Diramu Aboriginal Dance and Didgeridoo Celebration: Coates RAP Launch



## Sustainability



An autonomous CAT Mining Truck in action at the Fortescue Metal Group Solomon Iron Ore Mine, Pilbara, WA

### Measurable Objective – Career Development & Progression

- Assisting all employees to have equal access to career development and progression.
- Ensuring the talent of all employees is recognised and utilised to retain and increase diversity across all levels of the Company.
- Decisions relating to task allocation, training and development are based on merit, performance, and talent.

Diversity improvement targets are embedded in the KPIs of all executives to reinforce the importance and focus on diversity across all Business Units. Having a formalised approach to recruitment has resulted in improved diversity. Talent and succession planning processes continue to evolve to include more women at all levels of the businesses, particularly in operational roles. This has provided a greater understanding of talent across the Group and potential successors to key roles.

Progress continues to be made in developing and progressing female employees into leadership roles. Transparent performance management systems ensure decisions are based on merit and performance. Mentoring programs targeting female talent and cross-collaboration across the businesses, provide additional opportunities for women to develop and advance their careers. WesTrac and Coates participate and facilitate women's networking events within their businesses and as part of industry networks such as "Women in Construction" and "Women in Mining" and continue to contribute to industry objectives to increase female representation.

### Leadership Development & Training

SGH remains committed to investing in leadership development and specialist training to improve the technical and leadership capability of its people.

The focus on leadership development and building management capability is evident across the Group with a strong emphasis on succession planning and actionable development plans for employees with succession potential as well as those employees in critical roles.

SGH continues to provide specialist training, as well as initiatives to further improve safe working practices. Most compelling from a safety perspective has been the use by WesTrac of Bluetooth technology, remote cameras, and other technology to eliminate live working and the development by Coates of an app that enables heavy vehicle drivers to easily complete daily safety checks. Training and innovation have helped achieve a greater awareness of safe working practices and led to a significant and steady improvement in safety performance across the group in recent years, with reductions in both injury frequency and time lost to injuries.

WesTrac and Coates are registered training organisations and undertake a significant amount of training for customers as well as employees. The opening of the WesTrac Technology Training Centre for technicians and operators of autonomous haulage vehicles in Collie WA, the first of its kind outside the United States, further extended the range of training available. WesTrac is preparing to expand the centre to provide for training in other autonomous equipment.

WesTrac's accredited Apprenticeship Program is highly regarded and receives on average more than 2,000 applications each year for about 50 new placements. There are over 200 WesTrac apprentices and over 300 customer apprentices currently in training in Western Australia, and 70 WesTrac apprentices and 15 customer apprentices training in NSW. WesTrac has invested more than \$7 million in training employees in FY21.

As a Registered Training Organisation, Coates also delivers training for employees and customers, with 4,049 units of competency, 768 verifications of competency and 4,027 training certificates issued in FY21. In addition, Coates invested almost \$3 million in employee training in FY21.

## Engagement and Positive Culture

Employee engagement and culture are important themes across the Group. WesTrac through its “Made for More” campaign outlines a strong employee value proposition and is recognised for having a positive culture that values employees. Since the implementation of the “Built by Us” program, engagement scores have improved across WesTrac.

Coates’ “The Hire Road” program focusses on cultural transformation across Coates and will further support engagement initiatives across the business. Encouragingly, participation rates in engagement surveys were above 80 per cent for both businesses.

The launch of the SGH Employee Share Purchase Plan in FY21 has provided employees the opportunity to share in the value that they help generate for shareholders. The high take-up rate has demonstrated the engagement and commitment of our employees to the future long-term growth of the Group.

## Energy & Emissions

SGH announced during FY21 a commitment that WesTrac and Coates will achieve net zero greenhouse gas emissions by 2040. We will detail medium term emission targets for these businesses in our forthcoming Sustainability Report. In particular, we will address direct actions and plans to reduce our own Scope 1 and 2 emissions, and plans to work with partners to reduce our Scope 3 emissions.

While there are many emissions reductions initiatives for the businesses to investigate and implement over time, SGH has identified and quantified a core set of initiatives to explore in the first instance that will have the most potential to move the dial on emissions while also being net positive from a commercial investment perspective:

- Solar Panels
- LED Lighting
- Battery Installations
- Green Electricity purchases
- Electric Vehicles

In FY21, the Group continued installing LED lighting in various sites across the WesTrac and Coates networks, with the installation almost complete across all WesTrac locations. Coates is a member of the NSW Construction Industry working group looking at industry-wide sustainability standards to improve temporary site accommodation and lower emissions. More sustainable equipment solutions being introduced include solar and hybrid light towers, battery-powered tools, and site accommodation compliance with new industry sustainability regulations.

WesTrac is introducing smart meters in major branches and variable frequency drives on compressor motors. It is reducing usage of diesel in forklifts and other plant, and has begun introducing CAT electric drive products to the market.

## Materials, Waste & Water

Both of our core operating businesses, WesTrac and Coates, are integral participants in the circular economy in their sectors. Coates’ business model, by allowing major miners and industrial users to rent equipment rather than buy, helps reduce usage of materials and associated waste and emissions in each of the sectors it operates in. WesTrac’s business comprises a significant proportion of rebuilding and remanufacturing activity, allowing our customers to renew the life of large mining and construction equipment and components that would otherwise be replaced with new equipment. Coates has implemented remanufacture programs for access and compaction equipment and lighting towers.

For FY21 actions focused on internal reduction and recycling of waste to reduce landfill usage. WesTrac has introduced centralised waste, paper and recycling bins in its Tomago and South Guildford offices, and has begun recycling e-waste and replacing paper-based systems with digital solutions.

Coates monitors waste reduction performance against monthly and annual targets through monthly reports from an external waste contractor informing it of recycling rates and a breakdown of waste by type. Coates is also providing water treatment and site dewatering services, and has partnered with the University of Technology Sydney to develop the next evolution in construction water treatment processes.

Coates also provides hazardous chemical management services for customers, while WesTrac manages its storage of hazardous materials through regular inspections of business premises and reviews of compliance and emergency procedures.

Further information about SGH’s actions relating to materials, waste and water will appear in our forthcoming Sustainability Report.

## Local Communities

During FY21, \$2.3 million was expended in bushfire assistance, completing the Group’s Bushfire Assistance Program. Over 18 months, SGH contributed \$4.9 million in assistance, including \$1.5 million donated to the NSW Rural Fire Service to support volunteer firefighters and the ongoing recovery and restoration work of fire trails and access roads across NSW.

The balance of the program comprised tools, equipment and services donated by WesTrac and Coates to assist badly impacted communities in the Bega and Nambucca Valleys, Mid-North Coast, Central and Northern Tablelands, and South Coast regions of NSW, the Gippsland region in Victoria, and the Adelaide Hills and Kangaroo Island in South Australia. Assistance included providing portable buildings, showers, laundry and toilets, generators and lighting, and providing equipment to clear rubbish and damaged trees, save produce, feed stock, and support local businesses to provide employment.

Further information about SGH’s actions relating to Local Communities will appear in our forthcoming Sustainability Report.

# Operating and Financial Review

## Financial Performance

|                                                                              | Underlying trading performance <sup>(a)</sup> |                       | add: Significant items <sup>(b)</sup> |                       | Statutory results |                       |
|------------------------------------------------------------------------------|-----------------------------------------------|-----------------------|---------------------------------------|-----------------------|-------------------|-----------------------|
|                                                                              | 2021                                          | Restated <sup>^</sup> | 2021                                  | Restated <sup>^</sup> | 2021              | Restated <sup>^</sup> |
|                                                                              | \$m                                           | 2020<br>\$m           | \$m                                   | 2020<br>\$m           | \$m               | 2020<br>\$m           |
| Revenue                                                                      | 4,838.7                                       | 4,562.6               | –                                     | –                     | 4,838.7           | 4,562.6               |
| Other income                                                                 | 47.0                                          | 62.7                  | –                                     | –                     | 47.0              | 62.7                  |
| Share of results from equity accounted investees                             | 195.4                                         | 149.7                 | 44.0                                  | (70.1)                | 239.4             | 79.6                  |
| Impairment reversal/(impairment) of equity accounted investee                | –                                             | –                     | 92.9                                  | (161.8)               | 92.9              | (161.8)               |
| Impairment of producing and development asset                                | –                                             | –                     | –                                     | (116.7)               | –                 | (116.7)               |
| Expenses excluding depreciation and amortisation                             | (4,028.7)                                     | (3,773.8)             | (3.4)                                 | (8.1)                 | (4,032.1)         | (3,781.9)             |
| <b>Profit before depreciation, amortisation, net finance expense and tax</b> | <b>1,052.4</b>                                | <b>1,001.2</b>        | <b>133.5</b>                          | <b>(356.7)</b>        | <b>1,185.9</b>    | <b>644.5</b>          |
| Depreciation and amortisation                                                | (260.3)                                       | (263.3)               | –                                     | –                     | (260.3)           | (263.3)               |
| <b>Profit before net finance expense and income tax</b>                      | <b>792.1</b>                                  | <b>737.9</b>          | <b>133.5</b>                          | <b>(356.7)</b>        | <b>925.6</b>      | <b>381.2</b>          |
| Net finance expense                                                          | (157.9)                                       | (150.1)               | (5.0)                                 | –                     | (162.9)           | (150.1)               |
| <b>Profit before income tax</b>                                              | <b>634.2</b>                                  | <b>587.8</b>          | <b>128.5</b>                          | <b>(356.7)</b>        | <b>762.7</b>      | <b>231.1</b>          |
| Income tax expense                                                           | (129.6)                                       | (116.0)               | 1.5                                   | 2.4                   | (128.1)           | (113.6)               |
| <b>Profit for the year</b>                                                   | <b>504.6</b>                                  | <b>471.8</b>          | <b>130.0</b>                          | <b>(354.3)</b>        | <b>634.6</b>      | <b>117.5</b>          |

<sup>^</sup> Amounts have been restated. Refer to Note 1 of the Financial Report.

(a) Underlying trading performance is comprised of reported results adjusted for significant items. This 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) Detailed information regarding the composition of significant items is provided in Note 3: Significant Items of the Financial Report.

The Group has delivered Underlying earnings before interest and taxation (Underlying EBIT) of \$792.1 million for the year ended 30 June 2021, up 7.3 per cent on the prior year on a restated basis. Revenue also increased by 6.1 per cent to \$4,838.7 million.

The Group has delivered on FY21 Guidance provided for WesTrac and Coates, being high single digit Underlying EBIT growth on FY20 for WesTrac and low single digit Underlying EBIT growth against FY20 for Coates.

WesTrac Underlying EBIT increased by 7.9 per cent to \$400.2 million, with ongoing strength in mining and construction across both dealerships, with machine sales boosted by delivery of fleet orders for major mining projects and construction demand enhanced by accelerated tax depreciation write-offs. Parts sales reduced following reduction in parts prices in the second half associated with a strengthening Australian dollar. COVID-19 had limited impact on WesTrac.

Coates' Underlying EBIT of \$211.6 million was 3.8 per cent higher than the prior year, which reflects the disciplined cost management within Coates given a 3.0 per cent decline in revenue, driven by delays in commencement of new projects. COVID-19 impacted Coates' revenue, with on-going event

cancellations and state lockdowns reducing demand in affected locations of the national branch network. This was partially mitigated by industrial services revenue from supporting customers undertaking major industrial shuts.

The Group's equity accounted investees performed well. Beach Energy benefited from a rebound in global oil and gas prices in the second half of the year. Beach production was impacted by the Western Flank's accelerated decline in production which resulted in a reserve downgrade being booked in April 2021. Seven West Media delivered on their transformation program, repaying debt and returning to profitability.

In the first half of the year the Group increased its interest in Boral to 19.98 per cent. Mr Ryan Stokes AO joined Boral's board, resulting in the Group obtaining significant influence, and commencing equity accounting Boral's results from 28 September 2020. In the second half, the Group further increased its interest in Boral, initially by an additional three per cent in April 2021, before commencing an off-market takeover for Boral in May 2021 that increased the Group's interest to 26.08 per cent at 30 June and subsequently to 69.60 per cent at close of the offer on 29 July 2021. Mr Ryan Stokes AO was appointed as Boral Chair on 30 July 2021.



Revenue  
\$4.8bn

Underlying  
EBIT  
\$792.1m



Boral Concrete Plant,  
Port Botany, NSW

Underlying EPS  
\$1.46

Underlying NPAT  
\$504.6m

Cash holding  
\$160.9m

Statutory net profit after tax for the year of \$634.6 million was up 440.1 per cent. The result benefited from a \$92.9 million mark to market impairment reversal in the Group's investment in SWM and \$44.0 million share of the Group's significant items relating to equity accounted investees. On an underlying basis, NPAT increased by \$32.8 million, or 7.0 per cent, to \$504.6 million. Refer to page 32 for a reconciliation of statutory to underlying results.

The Group's prior year results have been restated following the IFRS Interpretations Committee (IFRIC) decision to expense configuration and customisation expenses incurred for software as a service arrangements. Refer to Note 1 of the Financial Report for further detail.

## Revenue and Other Income

Revenue of \$4,838.7 million was up \$276.1 million or 6.1 per cent on the prior year with growth achieved by WesTrac, offset by a slight decline in Coates' hire revenue.

Product sales improved \$340.8 million or 29.3 per cent to \$1,505.5 million, primarily due to increased machine sales from delivery of new fleet orders on the back of tender wins on new mining projects and major mine expansions. Technology and innovation continue to drive success for WesTrac and our customers, with high demand for autonomous solutions. Construction activity also remained strong in WA and NSW for WesTrac, with high activity in residential building and major government infrastructure projects and government instant asset write off tax incentives. Revenue from product support was down 1.4 per cent to \$2,377.2 million, impacted by the Caterpillar parts price decrease which came into effect on 1 January 2021.

Hire revenue decreased by 2.9 per cent to \$950.5 million, with Coates being impacted by subdued market activity, project delays and COVID-19 lockdowns.

Oil and gas revenue was \$2.8 million, down 12.5 per cent on the prior year, due to lower production at Bivins Ranch as a result of low oil prices and a reduction in volume from shutting in of wells by the operator and impact of February 2021 severe winter storms in Texas.

Other income of \$47.0 million was down 25.0 per cent on the prior year, primarily due to a reduction in distributions received from the Group's investment in a China Media fund and a \$2.6 million decline in the Group's dividend income following the divestment of a portion of the investment portfolio.

The Group's share of results from equity accounted investments of \$239.4 million was up \$159.8 million on the prior year, with solid earnings delivered by all equity accounted investees. Seven West Media's underlying EBIT of \$50.5 million reflected the benefit of the transformation program that is in its second year of a three-year strategy to improve results, allowing SWM to reduce external debt, return to content production and see market growth in BVOD. SWM's statutory results benefitted from a \$208.5 million (at 100 per cent) reversal of previously impaired television licences. Beach Energy's underlying contribution to EBIT was down 19.5 per cent to \$104.8 million, impacted by lower oil sales and higher production costs. Beach's statutory result was impacted by impairment of onshore Otway reserves. Boral's FY21 revenue was down on the back of softer trading conditions and unfavourable FX rates, however this was offset by transformation program improvements that drove a 44 per cent improvement in underlying NPAT on the prior comparative period. Boral's statutory result benefitted from gains on sales of assets as part of Boral's portfolio review. Boral contributed \$38.0 million on an underlying basis to the Group's results.



Prime mover trucks haul a road train to deliver a CAT 994K  
Wheel Loader to United Wambo JV, Hunter Valley, NSW

## Other Expenses and Significant Items

Total expenses excluding depreciation and amortisation increased 6.6 per cent to \$4,032.1 million on a statutory basis. Materials cost of inventory sold and used in production increased 11.6 per cent to \$2,697.7 million, reflecting the higher cost of product inventory to supply product sales revenue. Employee benefits expenditure has decreased, reflecting the benefits of the prior year's restructuring program undertaken at Coates.

Other expenses were unfavourably impacted by \$0.3 million in additional credit loss allowance being included in Coates' calculations for elevated default risk arising from COVID-19.

The Group's trading results were impacted by several significant items. The impairment of Group's equity accounted investment in SWM was reversed by \$92.9 million, reflecting the increase in SWM's share price and stronger trading performance. The Group was also impacted by share of its equity accounted investments own significant items of net gain of \$44.0 million. Acquisition transaction costs of \$3.4 million and an additional \$5.0 million in finance expenses were incurred during the year as a result of the Group's takeover offer for Boral.

## Statement of Financial Position

At 30 June 2021, the Group's cash holding was \$160.9 million. Trade and other receivables have increased to \$832.3 million, reflecting an increase in product sales near period end and contract assets in WesTrac. The provision for expected credit loss on trade receivables in Coates was increased slightly, reflecting the higher risk from COVID-19, noting COVID-19 has an immaterial impact to date.

Inventory across the Group has decreased \$32.6 million to \$804.2 million. This reflects product sales near period end and the impact of parts with CAT price adjustment on 1 January 2021, offset by an increase in inventory to meet expected future demand for product sales and product support. To date supply chains have not been significantly impacted by COVID-19.

The carrying value of investments accounted for using the equity method at 30 June 2021 was \$2,787.4 million, up \$1,787.9 million from the prior year. This is due to the Group's additional investment in Boral, along with an increase in value from the recognition of the Group's share of investees NPAT of \$239.4 million, share of reserve movements and impairment reversal of \$92.9 million. The carrying value was reduced for dividends received from Beach Energy of \$13.0 million.

Other financial assets have decreased to \$436.5 million with the transfer of the Group's investment in Boral being reclassified to equity accounted investments in September 2020. Net mark-to-market movement in the listed investment portfolio was \$205.9 million and has been recognised in fair value reserve consistent with the requirements of AASB 9: Financial Instruments. The value increase primarily relates to the fair value uplift recognised on Boral on transition to equity accounting. The decline in the listed portfolio is offset by an increase in the unrealised fair value gain for the Group's unlisted investment portfolio. Non-capital distributions of \$6.0 million were received from China Media, a decline from the \$29.9 million received in the prior year.

Property, plant and equipment decreased by \$14.7 million to \$967.2 million, primarily due to depreciation exceeding the investment in new hire fleet, that had been reduced due to market conditions, during the year.

Right of use assets of \$595.0 million declined \$41.6 million with depreciation exceeding new leases entered during the year. The decline in Lease liabilities reflect the Group's repayment of lease obligations over the year.

Producing and development assets, representing the Group's investment in Bivins Ranch and Longtom, remained consistent at \$112.2 million as no further expenditure on these assets were capitalised during the year. The Group's investment in Bivins Ranch continues to be fully impaired at 30 June 2021, with the movement in accumulated impairment reflecting revaluation from exchange differences.

Exploration and evaluation assets increased by \$3.3 million to \$239.0 million following further capital investment in the Group's 15 per cent interest in the Crux LNG development project in the Browse Basin which is operated by Shell Australia Pty Limited (Shell). The Crux project has continued Front End Engineering Design (FEED) toward Final Investment Decision (FID).

Intangible assets increased by \$4.1 million to \$1,627.4 million due to expenditure on other intangible software and an immaterial business acquisition during the year. In accordance with IFRIC's April 2021 decision that cloud computing configuration and customisation costs should be expensed, intangible assets have been restated reflecting the retrospective application of the change in accounting policy to expense these costs which had been previously capitalised.



# Operating and Financial Review

Trade payables increased on the prior year with an increase in CAT payables and amounts payable for acceptances to sell received from Boral shareholders under the takeover at year end. Deferred income decreased on the prior year, as a result of lower machine deposit advance payments for major machine deliveries in WesTrac.

Total current and non-current interest-bearing loans and borrowings declined by \$122.3 million, with cash received from the Company's recent equity raised used to pay down debt. Subsequent to year end the Group has repaid the \$431.0 million facility with Caterpillar Finance Australia Limited in July 2021 as well as a US\$85.0 million tranche of the USPP in August 2021.

Contributed equity increased by \$526.8 million following institutional placement and retail share purchase plan offer undertaken in the second of the year. Treasury shares purchased on market of \$8.7 million will be used to satisfy future executive share plan obligations, offset by \$12.0 million in shares vested to employees.

## Net debt and capital management

Net debt reduced by \$163.4 million at June 2021 to \$2,271.5 million. Major cash outflows during the year included the \$422.1 million investment in Boral shares and net capex (excluding intangibles) within WesTrac and Coates representing \$156.4 million. These major cash outflows were offset by the Group's net operating cash flow totaling \$622.4 million, compared to \$538.2 million in the prior year.

At year end the Group had access to cash and undrawn borrowing facilities of \$1,936.1 million and access to a bridge facility for the purpose of the off market takeover offer for Boral to acquire an interest in all Boral shares not held by the Group. The Group's listed portfolio continues to be considered a source of liquidity, with a significant portion of the portfolio being disposed of subsequent to year-end, providing \$120.0 million in cash receipts.

Subsequent to year end, the Group's paid \$3,484.7 million for Boral shares acquired under the takeover that closed on 29 July 2021. This included \$231.1 million funded by equity settled swap and \$2,970 million funded by draw down on a new Bridge Facility, established to fund the purchase of additional shares the Group did not already own under the Boral takeover offer. The facility matures in July 2022, with an ability to extend to September 2022.

Approximately 53 per cent (2020: 44 per cent) of the Group's drawn debt is fixed or effectively hedged with the overall effective borrowing cost for the Group being 3.9 per cent (2020: 3.4 per cent), while weighted average facility maturity is 3.4 years (2020: 2.8 years).

Whilst the Group does not disclose a formal dividend policy, decisions regarding future dividend payout ratios and franking levels are made with reference to the Group's medium term underlying profitability, Australian tax payable position, total number of ordinary shares on issue and alternative investment opportunities available. Within these constraints, the Group aims to maintain dividends per share through the cycle with a view to increasing the dividend over the long-term. The Group increased the FY21 interim dividend to \$0.23 cps during the year and is proposing \$0.23 cps for the 2021 final dividend.

## Outlook and Future Prospects

The Group's future prospects are subject to the material business risks disclosed in the Risk Factors Associated with SGH on pages 38 to 43. Whilst the Group has to date not been significantly impacted by the global COVID-19 pandemic, there continues to be an elevated level of uncertainty in relation to COVID-19 and market conditions particularly given recurrent lockdowns in multiple States coupled with limitations being imposed on the construction sector.

Our Industrial Services businesses are well positioned for further growth as they continue to work with customers to deliver market-leading solutions to support the resource and construction sectors.

The Group has provided FY22 Earnings Guidance that WesTrac is on-track to deliver low single digit Underlying EBIT growth on FY21 and Coates is expected to deliver high single digit Underlying EBIT growth on FY21.

This Guidance assumes that Covid-19 lockdowns and construction restrictions are not prolonged or pervasive.

"The Group delivered on FY21 Guidance provided for WesTrac and Coates."

Revenue  
\$4.8bn ↑6.1%

Underlying EBIT  
\$792.1m ↑7.3%

Underlying EPS  
146cps ↑5.4%



Coates propping project for the Porterhouse Restoration, Castlereagh Street, Sydney

# Risk Factors Associated with SGH

The business activities of SGH are subject to various risk factors that may impact on the future performance and position of the Group.

**These risks are both specific to the Group's activities as well as general commercial and economic risks. Such risks may, either individually or in combination, affect the future operating and financial performance of the Group and the value of SGH shares.**

## Risk Management Framework

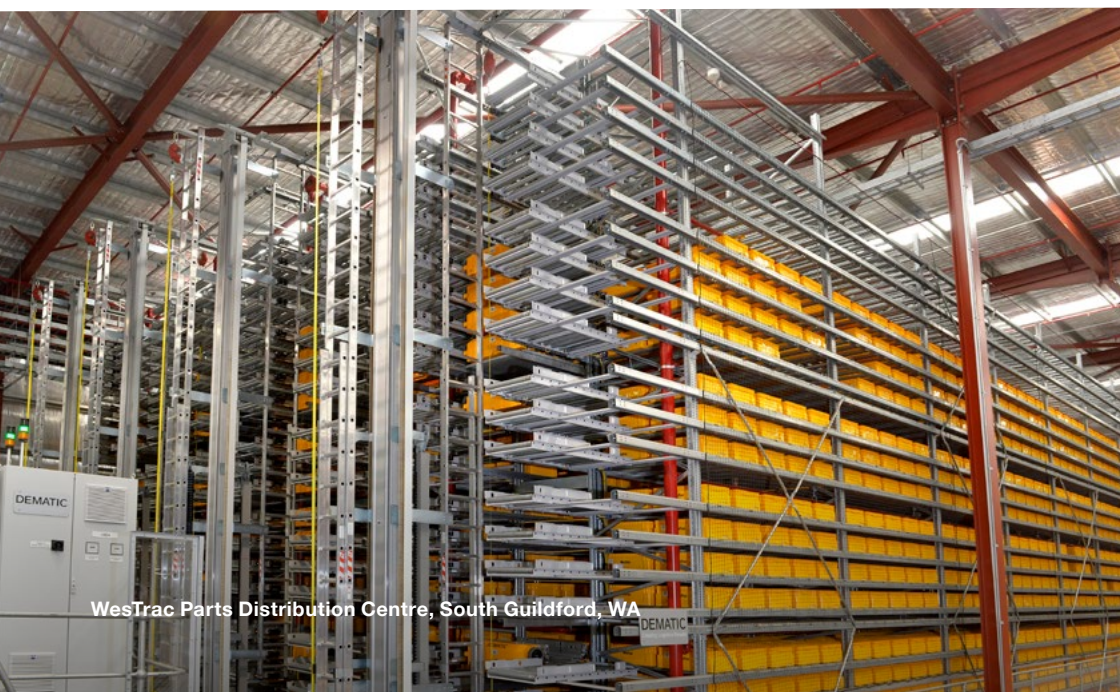
The Board has established a risk management framework to actively identify, monitor and manage risks across the Group. The framework is administered by the Audit & Risk Committee, which is responsible for assisting the Board to identify and manage financial and non-financial risks.

The Committee's responsibilities are set out under "Principle 7 – Recognise and Manage Risk" in the Corporate Governance Statement available on the Company's website.

The Committee maintains a Strategic Risk Assessment register, established in collaboration with subject matter experts throughout the Group's businesses who identify and assess the risk factors. The Committee evaluates the potential impact and likelihood of each risk occurring and ranks these accordingly. Risk controls including policies and procedures are established for each risk factor, and the responsibility to manage, monitor and report these risks is delegated to the CEOs of each business and appropriately skilled senior management. External advisors are engaged to assist in this process where required.

The composition of the Board has been specifically considered to ensure that relevant expertise is represented at the Board having regard to the Group's material risks. Page 50 sets out the relevant skills matrix.

Risks that are identified as material to the Group are summarised below. This information should not be regarded as an exhaustive list of all risks that affect the Group, furthermore, the items have not been prioritised.



WesTrac Parts Distribution Centre, South Guildford, WA

## Material Business Risk

### Global Pandemic

The Group's operating businesses are exposed both directly and indirectly to the risks associated with pandemics such as COVID-19 which has impacted certain underlying markets, customers, supply chain, and negatively impacted macroeconomic conditions and commodity prices. There is significant uncertainty regarding the extent and duration of the COVID-19 pandemic and the extent of Australian Commonwealth or State Government action to limit the spread of infection and support for businesses during the pandemic.

Key operational risks to the Group include the potential closure of locations such as branches and workshops, disruption to field services, disruption to the supply chain, closure of customer locations, and government mandated lockdown. These risks may impact customer demand and the ability of WesTrac and Coates to schedule and complete the work required to provide equipment and services to customers on a timely basis. The ability of customers to pay for equipment and services within agreed terms may also be impacted.

Both Australian and international economies have experienced, and continue to experience, challenging economic conditions as a result of the COVID-19 pandemic. Any further deterioration in the domestic or global economy may have an adverse effect on the performance of SGH's businesses.

The Group and its operating businesses have Business Continuity Plans and maintain a level of crisis liquidity for events such as COVID-19. A centrally coordinated SGH Nerve Centre has been established to ensure all businesses are prepared for any eventuality. Actions taken within the businesses in response to the current pandemic have included regular Crisis Management Team meetings, working from home for sections of the workforce, including splitting some teams into two or more groups to limit those in office locations, social distancing, reduced overlap and interaction on shift changes in workshops, centralised planning and scheduling teams to complete service work across various locations as required. To date supply chains have not been significantly impacted, the Group maintains significant inventory levels and WesTrac has increased orders of critical long lead time parts.

Essential services such as mining, oil and gas, construction and related services have not been to date, with the exception of construction in Sydney NSW during July and August 2021, subject to lockdown restrictions. As a result, the Group has experienced limited impact in WesTrac and some impact in Coates to date. A future increase in COVID-19 cases could result in additional restrictions on business activities for an extended period of time.

The Group has been indirectly impacted by the COVID-19 pandemic through the impact on equity accounted and other investments. Boral has experienced a decline in domestic revenue due to the impact on the construction market.

Beach Energy has been impacted by the fall in the price of crude oil due in part to a reduction in global demand, especially from transport and global aviation following implementation of international and domestic travel restrictions. The recovery in oil prices will be partially dependent on the extent of the COVID-19 pandemic's impact on global demand.

### Commodity Price Risk

SGH has an operating interest in oil and gas assets located in Australia and the United States of America. These investments expose SGH to commodity price risk from fluctuations in the prices of oil, natural gas and other condensates and natural gas liquids. SGH does not currently hedge its exposure to commodity price risk.

The prices of oil and natural gas can be volatile as a result of many factors outside of the Group's control, including global supply and demand, the level of economic activity in the markets that its energy, investments supply, regional political developments and military conflicts in oil and gas producing regions, the price and availability of new technology and the cost of alternative sources of energy. A material and/or prolonged decline in the realised prices of oil and gas may have a material adverse impact on the financial results and future prospects of the Group and/or the ability to fund future exploration, appraisal and development activities.

Beach Energy may be exposed to movements in gas prices as its existing gas sales agreements expire or undergo price review events and are re-contracted at prevailing market prices.

Government legislation and policy in the energy sector, including gas reservation, hydraulic fracturing restrictions and environmental requirements, may impact the supply of oil and gas in Australian domestic markets and therefore prices in those markets.

The Group is indirectly exposed to adverse movements in the prices of iron ore, gold, copper, thermal coal and other commodities through customers that operate in these sectors. The profitability of these customers is a driver of the level of demand for the equipment, parts and service that is supplied by WesTrac and Coates.

### Competition

The markets in which the Group's industrial services businesses operate are highly competitive. Customers have alternative sources of supply, therefore requiring competitive pricing and high customer service levels to retain market share. An increase in competition could result in a loss of market share or decrease in prices that could impact the Group's profitability.

Seven West Media competes for audience share and advertising revenues with all forms of media such as free-to-air television, newspapers, magazines, radio, outdoor advertising, pay television, direct mail, cinema and the internet, including social media and search. The Australian media industry is highly concentrated and competitive, with a number of operators competing for market share and advertising revenue through the same or alternative products. The actions of an existing competitor, the entry of new competitors into the market, and the introduction of new forms of media, may result in audience fragmentation in television and/or a reduction in newspaper readership, resulting in advertising revenue declines and lower profitability for Seven West Media. Media reform may provide an opportunity to mitigate these factors.

The demand for oil, gas and other products of SGH's energy assets may be adversely affected by competition from alternative sources of oil or gas, competition from other sources of energy supply, technological developments in energy efficiency, changes in consumer behaviour, policy shifts towards lower carbon emissions, changes to competition policy and a large number of other factors outside of the Group's control.

# Risk Factors associated with SGH

## Mining Production

Parts of SGH's business, especially WesTrac (and to a lesser extent Coates), have an exposure to the Australian major miners who export significant quantities of iron ore and coal and who represent a large portion of WesTrac's annual revenue. The medium to long-term future of both iron ore and coal exports may be negatively impacted by changes in the Asian markets that are the traditional importers of the products, as they potentially adjust their consumption and preferred suppliers over time. In addition to changes in economic growth and development in China, the possible changes to environmental policy and the impact on thermal coal imports may negatively impact coal prices, which could adversely affect SGH's financial performance. Any increased political tensions between Australia and other foreign Governments could negatively impact export volumes and therefore SGH's financial performance.

## Funding, Access to Capital Markets and Liquidity Risk

SGH relies in part on debt and debt-like instruments to fund its business operations. SGH and its subsidiaries will need to refinance debt facilities as they mature over time. SGH is exposed to adverse changes in global equity or credit market conditions. There is a risk that SGH could have difficulty obtaining financing on commercially reasonable terms, which may negatively impact SGH's ability to implement strategy or undertake investments, as well as potentially increasing the cost of funding.

The ability to refinance can be impacted by many factors outside of the Group's control, including global supply of credit, level of economic activity and credit defaults, perceptions of carbon intensity and credit providers' assessment of aggregated credit risk to Group and its investments.

Liquidity risk arises from the possibility that the Group may not be able to settle or meet its obligations as they fall due. Failure to meet applicable covenants or undertakings in its financing arrangements could adversely impact SGH by accelerating payment obligations or requiring the renegotiation of existing financing. The Group manages this risk by maintaining sufficient cash balances, liquid securities and undrawn bank facilities from a variety of lenders to ensure these obligations can be met.

The Group also has policies in place to ensure that exposure to counterparty credit risk is mitigated.

## Contract Risk

SGH is subject to the risk that material contracts with suppliers, customers and others are terminated, expire, are not renewed or are renegotiated on less favourable terms to SGH. This may have an adverse impact on SGH's financial performance and position. SGH is party to agreements with service providers for a number of ongoing services, which if terminated might have significant financial and operational implications for SGH's businesses. SGH is also exposed to the risk that it does not manage, or that third party service providers do not manage, obligations in line with contractual or operational standards, which could result in financial losses as well as reputational damage to SGH. Such a risk is heightened by the difficulties caused by COVID-19.

WesTrac term maintenance contracts and Coates Specialist Engineering projects may have work delivery challenges that manifest in actual costs increasing from earlier estimates. Coates Specialist Engineering may have normal contractor's liability in relation to projects and may have normal design liability for projects where design is contracted. These liabilities may include litigation against Coates. Coates may also provide performance guarantees and indemnities for projects and the value of these guarantees and indemnities is indeterminable in amount.

## Customer Default

SGH's businesses have large and diversified customer bases and are not reliant on any single customer. However, there is the risk that customers may default due to bankruptcy or other reasons, including general economic downturn.

A customer's termination of, or default under, a contract could result in a loss of expected revenues and additional expenses. Accordingly, the termination of, or default under, a contract by any of SGH's customers could have an adverse effect on SGH's business, financial condition and results of operations.

## Project Activity

Australian infrastructure policy has long been the foundation for economic growth through the development and ultimately investments of large-scale projects, e.g. Snowy Mountains Hydro Scheme. The current forecast for infrastructure across Australia, specifically the East Coast, is forecast to provide a significant stimulus to the economy over the next decade. WesTrac, Coates and Boral are exposed to the infrastructure activity and have factored the increases in activity into their strategic outlooks, any change in this outlook could have an adverse effect on SGH's financial performance.

## Government Policy

Changes in government, policies, taxation and other laws can have a significant influence on the outlook for the Group. In this regard, the Group has a strong exposure to both infrastructure and natural resources policy. In Australia, natural resources are regulated by State and Federal Governments in relation to exploration, development, production, exports, taxes and royalties, labour standards, occupational health, waste disposal, protection and rehabilitation of the environment, mine safety, toxic and radioactive substances, native title and a range of other matters. The Group faces the potential changes to permitted activity under pandemic related industry or geographic restrictions on activity.

In regards to the infrastructure industry, the Group is exposed to a variety of factors that may adversely affect its businesses or operations, regulation by various governmental authorities, service interruption due to environmental, operational or other mishaps; the imposition of special tariffs and changes in tax laws, regulatory policies and accounting standards; and general changes in market sentiment towards infrastructure assets.

## Equity Market Risk

The Group's listed and unlisted investments are subject to price, liquidity and other risks associated with any investment in such assets, including the risk that distributions paid to shareholders will be reduced.

The Group's financial performance may be impacted by fluctuations in the value of its listed and unlisted investments due to numerous factors. These include changes in Australian and international stock markets and investor sentiment, domestic and world economic conditions and outlook, consumer and business sentiments, occupancy rates, inflation rates, interest rates, employment and taxation legislation and other changes to government policy, legislation or regulation.

### Reserve, Exploration and Production Risk

Oil and gas reserves and resources are estimated using subjective judgements and modelling based on available geological, technical, contractual and economic information. Estimates can change over time due to new information from drilling or production, changes in economic factors such as oil and gas prices, regulation or other events.

Oil and gas reserves and resources are finite and are depleted on an ongoing basis through production, with replacement only possible through the discovery of new resources through successful exploration or the acquisition of resources. Exploration for hydrocarbons is inherently risky and subject to geological interpretations and technological uncertainties. Inadequate exploration success could result in declining reserves and resources.

SGH Energy holds production rights to a number of offshore oil and gas fields. Any oil or gas project may be exposed to production decline or stoppage, which may be the result of facility shut-downs, mechanical or technical failure, climate-related events and other unforeseeable events. A significant failure to maintain production could result in lower production forecasts, loss of revenue and additional operational costs to restore production.

### Free Float

The Group is controlled by a majority shareholder and, as a result, has a limited free float which typically results in lower average daily trading volumes. This can lead to greater volatility in the price of SGH shares. It is noted that the free float is within the limits required for inclusion in the S&P/ASX market indices.

### Foreign Exchange Risk

The Group is exposed to movements in foreign exchange rates.

WesTrac, and to a lesser extent Coates, is exposed to foreign exchange risk through the purchase of equipment and inventory denominated in US Dollars. As part of its pricing of equipment globally, CAT generally resets pricing annually for mining equipment and parts which is denominated in US Dollars.

Movements in the pricing of equipment impacts WesTrac's cost of machines and may also affect the overall profit earned on the sale of equipment to customers which may be denominated in either Australian Dollars, US Dollars or both.

The Group's investment in Boral is exposed to foreign exchange risk through Boral's significant international operations, principally Boral North America, and to a lesser degree through imported products and supply of plant and equipment.

Fluctuations in foreign exchange rates, including the AUD/USD exchange rate could have an adverse impact on the Group's business, financial condition and results of operations which are reported in Australian Dollars.

The revenue generated from the Group's energy assets is partly denominated in US Dollars. The Group does not currently hedge the expected revenues from these activities, resulting in the risk of lower earnings for the Group upon conversion to Australian Dollars if there has been an adverse movement in the exchange rate.

The Group may from time to time hold cash and investments, including investments in overseas equity funds, denominated in US Dollars, exposing the Group to foreign exchange risk.

### Interest Rate Risk

The Group is exposed to the risk of an increase in net interest costs through the impact of adverse changes in market interest rates on the cost of debt. The Group's policy is to hedge a portion of this risk by utilising a mixture of fixed and floating rate debt facilities and through the use of derivatives including interest rate swaps and options.

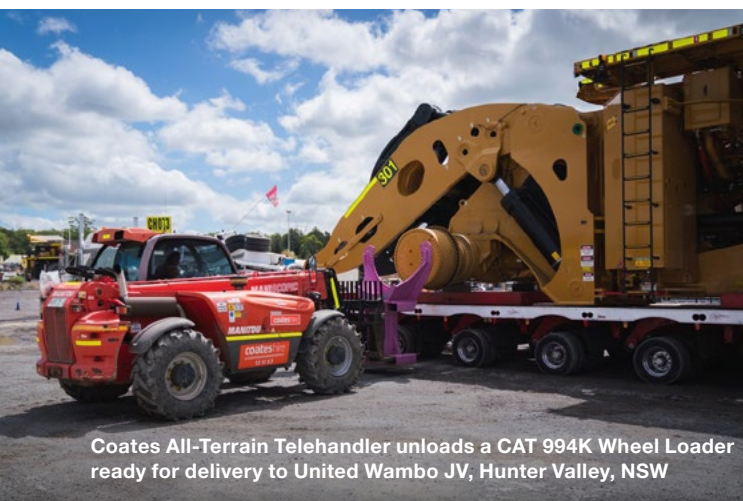
### Investment Risk

#### Investment Opportunities

The financial performance of the Group will be affected by the recognition and availability of suitable investment opportunities in the future. There is no guarantee that the Group will be able to identify and successfully implement future investment opportunities. Investment opportunities, and the Group's ability to divest its existing investment are subject to market conditions and other factors largely outside of the control of the Group. With SGH's ongoing focus on growth and diversification, the next opportunity to significantly add to the current businesses controlled by SGH will carry additional risk due to the size and potentially the nature of those businesses. Given the complexity of any transaction undertaken, SGH faces risks in undertaking sufficient due diligence and reaching a level of assurance as to the merits of acquiring the potential target. Due diligence may not reveal all material issues, which could impact on the returns from the investment. If SGH does undertake further investments in the future, there are risks associated with the integration of any business into SGH, including potential delays and costs in implementing necessary changes and integrating various operations, and failure to achieve potential synergy benefits.



CAT 793C Off Highway Truck in action while on mine site in Karratha, WA.  
Photo taken by WesTac Field Service Technician Daniel Bennett.



Coates All-Terrain Telehandler unloads a CAT 994K Wheel Loader ready for delivery to United Wambo JV, Hunter Valley, NSW

### Minority Investments

SGH holds investments in a number of ASX-listed, and unlisted, companies that it does not control, including Seven West Media, Beach Energy and Boral.

Where SGH holds an investment and is limited in its ability to exert control over the investee entity, it may become subject to the operational control of others and the financial performance this may entail. Additionally, SGH will be exposed to the price, liquidity and other risks inherent in minority shareholdings, including the risk that distributions paid to security holders will be reduced, adversely impacting the yield of the broader portfolio. SGH may also not be able to achieve an easy or profitable exit from its investments. This could lead to a reduction in the financial performance of SGH. Listed equity markets fluctuate with time, and the price of shares in SGH's portfolio may rise or fall due to numerous factors, which may affect the market performance of SGH. These include changes in Australian and international stock markets and investor sentiment; domestic and world economic conditions and outlook, inflation rates, interest rates, employment, taxation and changes to government policy, legislation or regulation.

### Building Products and Construction Materials Investment

The investment in listed company Boral is subject to specific risks in relation to its building products and construction materials business. These include industry and market risks in relation to inflationary impacts from rising input costs, future resource supply constraints, changes to construction methods and materials and changing demographics and urbanisation. Boral is also subject to macroeconomic and geopolitical conditions and political and regulatory change in the countries it operates outside Australia. Boral has specific competition risks in relation to customer concentration, production innovation and product substitution. Specific business interruption risks for Boral include plant and systems failure, weather, access to future reserves and resource supply constraints.

### Media Investments

SGH's investment in Seven West Media exposes it to the various risks facing the media industry. Viewer fragmentation in television and reduction in newspaper readership results in declines in advertising markets across key platforms. This could negatively impact the future level of profitability

of the media sector and their free cash flow generation. Media reform, and potential for media consolidation transactions, may also impact on SGH's media investments.

The investment in listed company Seven West Media is equity accounted. The investment has been previously impaired due to a significant and prolonged decline in observable market value. The observable market value of Seven West Media is greater than the net assets of Seven West Media and the current level of Seven West Media debt indicates a risk of potential future impairment of Seven West Media.

### Energy assets

A sustained or long-term weakness in oil or gas prices will negatively impact the carrying value of SGH's oil and gas operations. In addition, the development timetable of SGH's energy assets is subject to the decision making of controlling and operating partners in relation to factors such as access to processing infrastructure, approval of drilling programs and finalisation of development concepts. If differences arise in the economic motivations of SGH Energy and its partners, the development timetables for each asset could be deferred, impacting the recoverable value of the Group's energy assets.

### Management and Personnel

Loss of key management and other personnel, including board directors, may have a negative impact on SGH's businesses and SGH faces the risk that it cannot promptly or adequately replace key directors, management or personnel that leave SGH. Difficulties attracting and retaining skilled employees may also impair SGH's ability to conduct its business. A local or global shortage of suitably qualified and experienced technicians and operational staff could impact the ability of WesTrac or Coates to achieve their operational objectives and also result in an increase in operational costs through higher salaries required to attract and retain staff.

Many of SGH's businesses' employees, including permanent and casual employees, are covered by awards, enterprise bargaining agreements and other workplace agreements. These arrangements are complex and require interpretation, including in determining payments and accrual of employee benefits, are subject to change in interpretation, government regulation and periodically require renegotiation and renewal. These arrangements could result in issues which may lead to disruptions to operations and an increase in direct and in-direct labour costs, which may have negative impacts on the Group and the Group's financial performance.

### WesTrac Dependence on Caterpillar

WesTrac is dependent on Caterpillar to maintain its authorisation as the authorised dealer of Caterpillar equipment and parts in Western Australia and New South Wales/ACT. WesTrac's predecessor companies have been associated with Caterpillar since 1925 and WesTrac's association with Caterpillar has been since 1990.

As is customary in dealer agreements with Caterpillar, the WesTrac dealer agreements with Caterpillar can be terminated by either party upon 90-day notice at any time. The dealer agreements also contain provisions for automatic or accelerated termination in certain circumstances, such as material breach, insolvency events, and changes in control without Caterpillar consent, and are not exclusive. The Caterpillar dealer agreements are not, however, subject to periodic renewal requirements and are perpetual in nature (subject to the termination right noted above).

In the event Caterpillar terminates or appoints another dealer or deals directly in the territories in which WesTrac operates, it would have a material adverse effect on WesTrac's business, financial condition and results of operations as well as trigger accelerated prepayments across the SGH's key funding arrangements. In the event Caterpillar changes the scope of current or future activities able to be provided by WesTrac under the dealer agreements, it may have an adverse effect on WesTrac's business, financial condition and results of operations.

WesTrac is dependent on Caterpillar for timely supply of equipment and parts from their global manufacturing factories and distribution warehouses. During periods of intense demand or in the event of disruption to Caterpillar's business there may be delays in the supply of equipment and parts to WesTrac. In the event that Caterpillar is unable to supply its products in the quantities and timeframes required by WesTrac Group's customers, it may have a material adverse effect on WesTrac's business, financial condition and results of operations.

WesTrac is also dependent on Caterpillar to maintain product development and innovation to ensure that it has a quality product offering for its customers.

### Infrastructure Access

The Group's energy assets and investments rely on access to infrastructure on commercially acceptable terms in order to supply oil and gas production to customers. Failure to secure and maintain access to infrastructure on such terms, or events that result in a significant disruption to access, could result in the loss of revenue, loss of investment income or require additional costs to restore or find alternative access.

### Tax Risks

The Group may be subject to reviews by taxation authorities from time to time in the ordinary course of business. These reviews may result in the taxation authorities taking a different view on the tax treatment of particular transactions from that of the Group, which could lead to additional tax liabilities.

### Workplace Safety and Security

Employee safety is a fundamental principle in all the Group's activities. However, the nature of the Group's operations involves a variety of risks which could result in accidents or environmental incidents, causing injuries or loss of life for its workforce and the public, and could result in regulatory action, legal liability and damage to the Group's reputation.

The Group has sought to mitigate these risks by assessing, understanding and mitigating the risk factors in each of its operating businesses by implementing safety rules and safety commitments which provide direction and guidance on these critical risks.

The Group is committed to providing a safe workplace and maintains comprehensive workplace safety policies and systems which are overseen by health and safety specialists within the human resources departments and dedicated risk, safety and security teams within each business. Procedures relating to security at the Group's business sites are prioritised and are subject to review and continuous improvement.

Chain of responsibility legislation also extends the Group's obligations beyond existing operations to contractors and potentially their sub-contractors, over whom the Group has less control and there are strategies in place to manage this risk within each operating business unit.

### Crime, Technology and Cyber Security

The Group is subject to risk of misappropriation of assets and information by both individuals and organisations.

The Group's rental activities necessitate the loss of physical control of assets increasing the risk of misappropriation, mitigated where possible by identity checks and obtaining security deposits before hire and on certain high value serialised equipment GPS tracking devices. The Group secures assets within its control at locations using a variety of physical measures including locks, alarms, fencing, closed circuit television and security guards.

The Group's businesses operations, commercial and financial processes depend on digital and information technology. There are risks in the selection or development, implementation, use and maintenance of appropriate technology and reliance on digital technology creates the risk of exposure to cyber-attack and disruption. Technology changes rapidly and there are risks opportunities from technological innovation are not captured by the technology or digital strategy adopted.

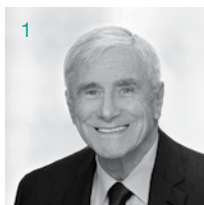
The Group secures business and customer information using information technology security measures, including encryption, multi-factor authentication and independent security penetration testing.

There are risks of loss to SGH's businesses arising from failed, corrupted, breached or inadequate information technology systems, including loss of confidentiality, integrity and availability of sensitive or critical data as well as business disruptions. Cyber security issues, including cyber-attacks, could result in financial loss, loss of information integrity, or breaches of SGH's obligations under applicable laws.

### Environment and Climate Change

SGH operates in industries that may have a negative impact on the environment, including in respect of land, air, and water pollution and greenhouse gas emissions. SGH is considering solutions to reduce its energy consumption and greenhouse gas emissions and is seeking to transition to a lower carbon economy including a commitment to net zero emissions by 2040 for WesTrac and Coates. There is a risk that these strategies increase SGH's cost structure (including the cost of carbon offsets) or SGH is unable to satisfy the future regulatory requirements relating to these matters impacting SGH's social licence to operate. There is a risk that SGH incurs liability under applicable environmental regulations that could adversely impact SGH's financial and business performance. Customers are increasingly looking to lower their greenhouse gas emissions, which may result in increased electrification or use of alternative fuels (such as hydrogen) of mining fleet, reducing future demand for support (parts and service) of traditional diesel combustion engines.

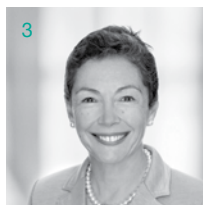
# Board of Directors



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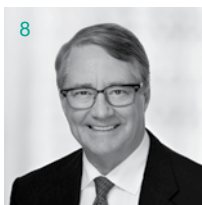
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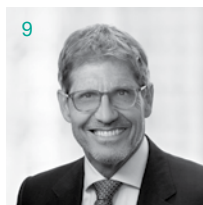
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## 1. Kerry Stokes AC

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

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

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

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

Mr Stokes is Chairman and Fellow (since November 2015) for the Australian War Memorial (previously a Council Member).

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

## 2. Ryan Stokes AO

### Managing Director & Chief Executive Officer of Seven Group Holdings.

Mr Ryan Stokes AO is Managing Director & Chief Executive Officer of Seven Group Holdings (SGH) and has been an Executive Director of the Company since February 2010. He was previously Chief Operating Officer of Seven Group Holdings from August 2012 until June 2015.

Mr Stokes is Chairman of WesTrac, Chairman of Coates, Director of Beach Energy since July 2016, Director of Seven West Media since August 2012. Mr Stokes is Chairman of Boral and a Director since September 2020.

Mr Stokes is Chief Executive Officer of Australian Capital Equity Pty Limited (ACE). ACE is a private company with its primary investment being an interest in Seven Group Holdings. Mr Stokes was appointed Chairman of the National Gallery of Australia in July 2018. He is also a member of the IOC Olympic Education Commission.

Mr Stokes was Chairman of the National Library of Australia from 2012 to 2018. He was a member of the Prime Ministerial Advisory Council on Veterans Mental Health from 2014 to 2019.

Mr Stokes holds a BCom from Curtin University and is a Fellow of the Australian Institute of Management (FAIM). Mr Stokes was appointed an Officer in the General Division of the Order of Australia in the Queen's Birthday honours announced on 8 June 2020.

## 3. Annabelle Chaplain AM

### Director of Seven Group Holdings Limited since 24 November 2015.

Chair of the Audit & Risk Committee; member of the Remuneration & Nomination Committee and member of the Independent & Related Party Committee.

Ms Chaplain brings to Seven Group Holdings extensive experience in financial services and mining, engineering and infrastructure services.

Ms Chaplain is the Chairman of Canstar Pty Ltd, MFF Capital Investments Ltd since August 2019 and a Non-Executive Director of Super Retail Group Ltd since March 2020. Previously she was Chairman of Queensland Airports Ltd and a Non-Executive Director of a number of companies including Downer Group Ltd and Credible Labs Inc. In the public sector she has previously served as a member of the Board of Taxation and as a Director of EFIC, Australia's export credit agency.

Since April 2017, Ms Chaplain has served as a Director of the Australian Ballet. A Fellow of the Australian Institute of Company Directors, Ms Chaplain holds an MBA from the University of Melbourne, a BA majoring in Economics and Mandarin from Griffith University and a diploma from the Securities Institute of Australia.

## 4. Terry Davis

### Director of Seven Group Holdings Limited since 1 June 2010.

Chairman of the Independent & Related Party Committee and Chairman of the Remuneration & Nomination Committee.

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

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

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

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

## 5. Katherine Farrar

### Director of Seven Group Holdings Limited since 18 February 2019.

Member of the Audit & Risk Committee and member of the Independent & Related Party Committee since 15 August 2019.

Kate Farrar was appointed as LGIAsuper's Chief Executive Officer in April 2018. Ms Farrar was appointed to lead the merged fund of LGIAsuper and Energy Super, continuing her role as Chief Executive Officer from 1 July 2021.

Ms Farrar is responsible for delivering exceptional experiences and outcomes to LGIAsuper's members, as well as leading the ongoing change and transformation required to build on LGIAsuper's success over the last 54 years.

Ms Farrar has 30 years' experience in leadership roles across the finance and energy sectors. Her previous roles include Managing Director of QEnergy, Chief Operating Officer at Ergon Energy Retail, and senior positions at Morgans Stockbroking, Barclays de Zoete Wedd, and Suncorp Investment Management. Prior to joining LGIAsuper, she was a Junior Partner (equivalent) at McKinsey & Company.

Ms Farrar has a Bachelor of Music (Honours) Degree and a Masters degree in Econometrics and Finance. She is also a graduate of INSEAD's Advanced Management Programme.

## 6. Christopher Mackay

### Director of Seven Group Holdings Limited since 1 June 2010.

Member of the Audit & Risk Committee and member of the Independent & Related Party Committee.

Managing Director of MFF Capital Investments Limited since 1 October 2013.

Former Chairman of Magellan Financial Group Limited.

Mr Mackay co-founded Magellan after retiring as Chairman of the investment bank UBS Australasia in 2006, having previously been its Chief Executive Officer.

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

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

Mr Mackay was a member of the Federal Treasurer's Financial Sector Advisory Council and the Business Council of Australia, and a Director of the International Banks & Securities Association.

## 7. David McEvoy

### Director of Seven Group Holdings Limited since 27 May 2015.

Member of the Audit & Risk Committee and member of the Independent & Related Party Committee.

Mr McEvoy has been engaged in the upstream oil and gas industry for over 40 years, in a variety of technical, senior executive and non-executive director roles. He was employed for almost 34 years with ExxonMobil including his executive career as Vice President, Business Development, ExxonMobil Exploration Company.

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

Mr McEvoy is a former Non-Executive Director of AWE Limited (2006 – 2018), Woodside Petroleum Limited (September 2005 to May 2017), Acer Energy (formerly Innamincka Petroleum Limited) and Po Valley Energy Ltd.

## 8. The Hon. Warwick Smith AO

### Director of Seven Group Holdings since 12 September 2014.

Member of the Audit & Risk Committee and member of the Remuneration & Nomination Committee.

Mr Smith has been Chairman of Advisory Board Australian Capital Equity since November 2006. Mr Smith also holds the position of Chairman at Ord Minnett; Director of Estia Health Limited since May 2017.

He has served as Chairman of the Australia-China Council for over eight years and was the Founding Chair of the National Foundation of Australia-China Relations. He is Chairman of the Global Engagement Committee of the Business Council of Australia of which he is a member.

Mr Smith is a former Senior Managing Director of the Australia New Zealand Banking Group Limited (ANZ), of which he was also Chairman of New South Wales & Australia Capital Territory, Chairman ANZ Thailand and Chairman and Director, ANZ Greater China.

Formerly Executive Director with Macquarie Bank, Chairman of E\*TRADE Ltd and the Australian Sports Commission. He was a Federal Government Minister with a parliamentary career spanning 15 years. He was also Australia's first Telecommunications Ombudsman.

Mr Smith has also received a Centenary Medal and was twice awarded the Order of Australia.

## 9. Richard Uechtritz

### Director of Seven Group Holdings Limited since 1 June 2010.

Member of the Remuneration & Nomination Committee and member of the Independent & Related Party Committee.

Director of JB Hi-Fi Limited since April 2011.

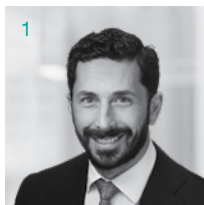
Chief Executive Officer and Director of JB Hi-Fi Limited from June 2000 to May 2010.

Over thirty years' experience in retailing.

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

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

# Executive Management



## 1. Ryan Stokes AO

### **MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – Seven Group Holdings** **B.Com, FAIM**

Mr Ryan Stokes AO is Managing Director & Chief Executive Officer of Seven Group Holdings (SGH) and has been an Executive Director of the Company since February 2010. He was previously Chief Operating Officer of SGH from August 2012 until June 2015.

Mr Stokes is Chairman of WesTrac, Chairman of Coates, Director of Beach Energy since July 2016, Director of Seven West Media since August 2012. Mr Stokes is Chairman of Boral and a Director since September 2020.

Mr Stokes was appointed Chairman of the National Gallery of Australia in July 2018. He is also a member of the IOC Olympic Education Commission. Mr Stokes was Chairman of the National Library of Australia from 2012 to 2018. He was a member of the Prime Ministerial Advisory Council on Veterans' Mental Health established from 2014 to 2019.

Mr Stokes holds a BCom from Curtin University and is a Fellow of the Australian Institute of Management (FAIM). Mr Stokes was appointed an Officer in the General Division of the Order of Australia in the Queen's Birthday honours announced on 8 June 2020.



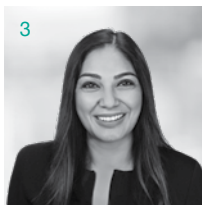
## 2. Richard Richards

### **CHIEF FINANCIAL OFFICER – Seven Group Holdings** **B.Com./Law (Hons), LLM, MAppFin, CA, Admitted Solicitor**

Mr Richard Richards has been Chief Financial Officer of SGH since October 2013. He is a Director of WesTrac and SGH Energy and is a Director and Chair of the Audit and Risk Committee of Coates. He is a Director of Beach Energy and Boral and is a member of the Beach Energy and Boral Audit and Risk Committees.

Mr Richards joined SGH from the diverse industrial group, Downer EDI, where he was Deputy Chief Financial Officer responsible for group finance across the company for three years. Prior to joining Downer EDI, Mr Richards was CFO for the Family Operations of LFG, the private investment and philanthropic vehicle of the Lowy Family for two years. Prior to that, Richard held senior finance roles at Qantas for over 10 years.

Mr Richards is a Director and the Chair of Audit and Risk Management Committee of KU – established in 1895 as the Kindergarten Union of New South Wales, KU is one of the most respected childcare providers in Australia. He is also a member of the Marcia Burgess Foundation Committee.



## 3. Gitanjali Bhalla

### **CHIEF PEOPLE OFFICER – Seven Group Holdings** **BA, LL.B. (Hons), MIB, MAICD**

Ms Gitanjali Bhalla joined SGH in October 2017 and is the Chief People Officer responsible for human resources, culture and safety across the Group. She is also a Director of WesTrac and Coates.

Ms Bhalla has significant experience leading and delivering human resources strategy and business transformational change in large organisations. Prior to joining SGH, Ms Bhalla spent a number of years consulting to private and publicly listed companies at Ernst & Young both in Australia and overseas before holding senior human resources, corporate services and business transformation roles at UGL and Cushman & Wakefield.

Ms Bhalla is an Ambassador for Good Return, a not for profit organisation committed to empowering women through microfinance. Ms Bhalla is also on the Board of Carriageworks.



## 4. James Goth

### **CHIEF OPERATING OFFICER – Seven Group Holdings** **B.Econ, LL.B., MBA**

Mr James Goth joined SGH in March 2020 as Chief Operating Officer for the Group, working across the portfolio of businesses within SGH. He is a Director of WesTrac, Coates, and SGH Energy.

As COO of SGH, Mr Goth's focus is on driving the operational and financial performance of the businesses across the SGH portfolio, driving the development and delivery of key strategic initiatives and supporting Group-level relationships with key partners and customers.



Prior to joining SGH, Mr Goth was the Chief Executive Officer of Woolworths Petrol. Earlier roles include Chief Strategy Officer at Woolworths Group and Director of Corporate Development at Woolworths Group, Director of Quantum, and Managing Director at the Boston Consulting Group, where he led both the Sydney office and the Australian consumer practice.

## 5. Jarvas Croome

### CHIEF EXECUTIVE OFFICER – WesTrac

#### B.Eng. (Mechanical) (First Class Honours), B.Comm. (Management), CPEng

Mr Jarvas Croome has been Chief Executive Officer of WesTrac since March 2014. Mr Croome is a Director of WesTrac and AllightSykes.

Mr Croome joined WesTrac from Woodside Energy (USA) where he was the President of the US organisation based in Houston TX. Prior to that time, he had held various executive management roles at Woodside Energy in Australia including Vice President Australian Business Unit and Vice President for Technical Services. Prior to Woodside, he had worked as a global Product and Sales manager for Shell Australia and a subsea engineer with Kvaerner RJ Brown.

He holds Chartered Professional Engineering (CPEng) status with Engineers Australia and has been previously registered on the National Professional Engineers Register. Mr Croome plays an active role in his local community and is on the board for Motivation Foundation, a not-for-profit organisation.

## 6. Adrian Howard

### CHIEF EXECUTIVE – WesTrac (NSW/ACT)

#### B.Comm, CA, GAICD

Adrian Howard commenced as Chief Executive of WesTrac in NSW and the ACT in July 2021 following six years working with the company. Over that time, Adrian's areas of responsibility included strategic growth, and customer and operational excellence. He worked in a range of executive positions including Chief Operating Officer.

Prior to joining WesTrac, Adrian worked in senior management roles across various sectors including manufacturing, distribution, logistics, construction and mining.

His previous experience included time with Patrick and OneSteel Limited (now InfraBuild), with roles in general management, strategy, business development and finance.

## 7. Murray Vitlich

### CHIEF EXECUTIVE OFFICER – Coates

#### B.Bus. (Econ & Fin)

Mr Murray Vitlich joined SGH in June 2017 as Chief Operating Officer for the Group, working across the portfolio of industrial businesses within SGH. In July 2019, Mr Vitlich was appointed Acting Chief Executive Officer, Coates and was formally awarded the role of Chief Executive Officer, Coates. He is a Director of Coates and was formerly a Director of SGH Energy and AllightSykes.

Prior to joining SGH, Mr Vitlich previously held senior operational roles at Asciano, UGL and Wesfarmers.

## 8. Margaret Hall

### CHIEF EXECUTIVE OFFICER – SGH Energy

#### B.Eng. (Met) (Hons), GAICD, MIEAust, SPE

Ms Margaret Hall was appointed Chief Executive Officer of SGH Energy in September 2015 and is also a Director of SGH Energy.

The CEO role holds responsibility for delivering value from the SGH Energy oil and gas assets within Australia and the USA as well as driving growth of this business segment for the parent company.

Ms Hall has over 28 years of experience in the oil and gas industry, spanning both super-major and independent companies. From 2011 to 2014, she held senior management roles in Nexus Energy with responsibilities covering Development, Production Operations, Engineering, Exploration, Health, Safety and Environment. This was preceded by 19 years with ExxonMobil in Australia, across production and development in the Victorian Gippsland Basin and Joint Ventures across Australia.

## 9. Warren Coatsworth

### COMPANY SECRETARY & LEGAL COUNSEL

#### BA, LLB (Hons), LLM, FCSA

Mr Warren Coatsworth has been Company Secretary & Legal Counsel of Seven Group Holdings since April 2010.

Mr Coatsworth is a solicitor holding a current practising certificate with degrees in Arts and Law (Hons) from the University of Sydney. He holds a Master of Laws in Media and Technology Law from the University of New South Wales as well as a Graduate Diploma in Applied Corporate Governance. He is a qualified Chartered Company Secretary and a Fellow and member of the Governance Institute of Australia.

He has an extensive experience as Legal Counsel at the Seven Network advising broadly across the company; and was formerly a solicitor at Clayton Utz. Warren was included on Doyle's Guide list of Leading In-House Technology, Media & Telecommunications Lawyers in Australia for 2016 and 2017.

Mr Coatsworth has held the role of Company Secretary of Seven West Media since April 2013 and Seven Network since 2005.

# Corporate Governance Overview

For the year ended 30 June 2021

This Corporate Governance Overview outlines the Company's main corporate governance practices that were in place throughout the financial year.

The Company's full 2021 Corporate Governance Statement, which set out the Company's compliance with the 4th edition of the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (ASX Recommendations), unless otherwise stated, is available in the "Corporate Governance" section of the Company's website at [www.sevengroup.com.au/who-we-are/corporate-governance](http://www.sevengroup.com.au/who-we-are/corporate-governance). Board and Committee Charters and a number of the corporate governance policies referred to in the 2021 Corporate Governance Statement are also available at the above link.

## Role and Responsibilities of the Board

The Board is empowered to manage the business of the Company subject to the Corporations Act and the Company's Constitution. The Board is responsible for the overall corporate governance of the Group and has adopted a Board Charter, which is available on the Company's website. The Board Charter sets out the role and responsibilities of the Board as well as those functions delegated to Management.

## Delegation to Management

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

Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively, including information concerning the Company's compliance with material legal and regulatory requirements and any conduct that is materially inconsistent with the values or Code of Conduct of the Company.

## Board Composition

The Company's Constitution provides for a minimum of three Directors and a maximum of 12 Directors on the Board. As at the date of this statement, the Board comprises nine Directors, including seven Non-Executive Directors.

The Non-Independent Directors in office are:

- Mr Kerry Stokes AC, Executive Chairman;
- Mr Ryan Stokes AO, MD & CEO; and
- The Hon. Warwick Smith AO, Director.

The Independent Directors in office are:

- Ms Annabelle Chaplain AM, Director;
- Mr Terry Davis, Director;
- Ms Kate Farrar, Director;
- Mr David McEvoy, Director;
- Mr Christopher Mackay, Director; and
- Mr Richard Uechtritz, Director.

The qualifications, experience, expertise and period in office of each Director of the Company at the date of this report are disclosed in the Board of Directors section of this Annual Report on pages 44 to 45.

## Chairman

The roles of the Chairman and MD & CEO are separate. Mr Kerry Stokes AC is Executive Chairman of the Company. The Chairman is responsible for leading the Board, facilitating the effective contribution of all Directors and promoting constructive and respectful relations between Directors and between the Board and Management.

The Board acknowledges the ASX Recommendation that the Chairman should be an Independent Director, however the Board has formed the view that Mr Stokes AC is the most appropriate person to lead the Board as its Chairman, given his history of leadership across the businesses and investments comprising the Group, including in the areas of heavy equipment management and services, property and television management and related media investments.

On 25 August 2021, the Company announced that Mr Terry Davis will be appointed Chairman on completion of the Company's 2021 Annual General Meeting, following the retirement of the current Executive Chairman, Mr Kerry Stokes AC, from the Board at the conclusion of that meeting. On Mr Davis' appointment to that role, the Board will have an Independent Director as Chairman.

## Board Independence

The Board comprises a majority of Independent Directors with three Non-Independent Directors and six Independent Directors. In determining whether a Director is independent, the Board conducts regular assessments and has regard to whether a Director is considered to be one who:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, or represents or has been within the last three years an officer or employee of, a substantial shareholder of the Company;
- receives performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme of, the Company;
- is, or has previously been, employed in an executive capacity by the Company or another Group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional advisor of, or a material consultant to, the Company or another Group member, or an employee materially associated with the service provider;
- is a material supplier or customer of the Company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has been a director of the entity for such a period that their independence from Management and substantial holders may have been compromised; or
- has a material contractual relationship with the Company or another Group member other than as a Director.

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

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

In the Board's view, the Independent Directors referred to above are free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Directors' ability to act with a view to the best interests of the Company.

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

While the Board does not consider that independence can be assessed with reference to an arbitrary and set period of time, the Board has specifically considered the independence of longer-serving Non-Executive Directors during the financial year. The Board determined that these Directors are independent and their periods of tenure do not interfere with the capacity of each of these Directors to bring independent judgement to bear on issues before the Board and to act in the best interests of the entity as a whole.

The Board also considers that given the Company has diverse operations within a conglomerate structure that have grown considerably over time, the Company's performance and shareholders benefit from having an appropriate number of longer-serving Directors with detailed knowledge of the history and experience of the Group's operations as part of the overall composition of Directors on the Board.

As part of succession planning on the Board, the Board's management of tenure of Directors on the Board also aims to achieve a period of knowledge transfer between longer-serving and more recently appointed Directors, prior the rotation of longer-serving Non-Executive Directors from the Board.

## Appointment of Directors

The policy and procedure for the selection and appointment of new Directors is set out in an attachment to the Board Charter. Appointed Directors receive a formal letter of appointment which set out terms of their appointment. The date at which each Director was appointed to the Board is announced to the ASX and is provided in this Annual Report on pages 44 to 45.

Directors appointed to fill casual vacancies hold office until the next Annual General Meeting and are then eligible for election by shareholders. In addition, each Director must stand for re-election at the third Annual General Meeting of the Company since they were last elected. The Notice of Meeting for the Annual General Meeting discloses material information about Directors seeking election or re-election, including appropriate biographical details, qualifications and other key current directorships.

## Company's Purpose and Strategic Objective

The Board has approved the Company's purpose as "Recognising and serving exceptional businesses".

The Board and Management believe that fulfilling the Company's purpose will create more value for the Company's operating businesses than would be created as stand-alone entities and will achieve the Company's strategic objective which is "Maximising returns to stakeholders through long-term sustainable value creation."

## Board Skills Matrix

The Board has developed a Board Skills Matrix set out in the table on the following page which is reviewed and updated each year to reflect the desired skills and experience required to be able to deliver the strategic objective of the Company. The Board believes that these skills and experiences are well-represented by its current composition which provides a mix of Directors with specialised knowledge relating to particular industries in which the Group businesses operate as well as general corporate, executive and Director experience which are appropriate for the Company.

The table also outlines percentage of current Directors possessing those skills and experience on a weighted average basis.

# Corporate Governance Overview

| Skills and Experience                                                                                                                                                                                                                                                                                                                      | Percentage |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| <b>Executive leadership</b><br>Significant business experience and success at a senior executive level.                                                                                                                                                                                                                                    | 100%       |
| <b>Financial analysis, risk management and reporting</b><br>Executive or equivalent experience in financial accounting and reporting, corporate finance and internal financial controls and an ability to probe the adequacies of financial and risk controls.                                                                             | 90%        |
| <b>Industrial services</b><br>Executive or Board level experience in the industrial services industry, including aspects such as mining, infrastructure, construction/building materials and in-depth knowledge of the legislative and regulatory framework governing this industry.                                                       | 80%        |
| <b>Media industry</b><br>Executive or Board level experience in the media industry, including in-depth knowledge of the legislative and regulatory framework governing this industry.                                                                                                                                                      | 70%        |
| <b>Energy, oil and gas</b><br>Executive or Board level experience in the energy, oil and gas industry, including in-depth knowledge of the legislative and regulatory framework governing this industry.                                                                                                                                   | 77%        |
| <b>Technology</b><br>Executive or Board level experience in the strategic use and governance of information management, information technology as well as the oversight of implementation of major technology projects.                                                                                                                    | 80%        |
| <b>Strategy and corporate activity</b><br>Track record in identifying, developing and implementing a successful strategy, including appropriately probing and challenging Management on the delivery of strategic objectives and developing an asset or investment over the long-term.                                                     | 100%       |
| <b>Corporate governance, regulatory, sustainability and community engagement</b><br>Commitment to the highest standards of corporate governance (including sustainability and community and stakeholder relations) and Executive or Board experience with an organisation that is subject to rigorous governance and regulatory standards. | 97%        |
| <b>People, culture and safety</b><br>Board remuneration committee membership or Executive experience relating to human resource management, workplace health and safety, including incentive arrangements and the legislative framework governing employees and remuneration.                                                              | 87%        |

## Board Committees

The Board is assisted in carrying out its responsibilities by the Audit & Risk Committee, the Remuneration & Nomination Committee and the Independent & Related Party Committee. Each Committee has its own written Charter which is reviewed on an annual basis. The Charter of each Committee is available on the Company's website.

The Directors' Report on page 56 sets out the number of Board and Committee meetings held during the 2021 financial year under the heading "Meetings of Directors" as well as the attendance of Directors at those meetings.

## Audit & Risk Committee

The Audit & Risk Committee comprises the following members, all of whom are Independent Directors except for Mr Warwick Smith AO:

- Ms Annabelle Chaplain AM (Chair);
- Ms Kate Farrar;
- Mr Chris Mackay;
- Mr David McEvoy; and
- The Hon. Warwick Smith AO.

Ms Chaplain possesses extensive professional experience on Audit and Risk Committees of substantial Australian listed companies and her career includes senior roles in investment banking, financial services, mining, engineering and major infrastructure services companies. Ms Farrar brings significant finance, investment and management and board experience to the Committee. Mr Mackay, a former investment banker and corporate and banking lawyer, has financial expertise and considerable experience in business management, capital allocation, risk management and investment. Mr McEvoy brings significant board experience and expertise in accounting matters and operations, including relating to the oil and gas industries as well as extensive risk management experience. Over the course of a highly distinguished career, Mr Smith AO has held a variety of senior roles in finance, banking and government and is considered to possess financial expertise.

The Board considers the Audit & Risk Committee is comprised of high-quality members who individually and collectively possess deep and invaluable knowledge and experience in financial and audit matters gained across multiple complex ASX companies. Having regard to the experience of the Committee members, the Board is confident of the Committee's strong capability to perceptively review financial statements and engage constructively with the Company's External Auditors to ensure compliance with relevant reporting obligations and for the Committee to together satisfy any guidelines concerning audit and financial expertise on the Committee.

## Remuneration & Nomination Committee

The Board has established a Remuneration & Nomination Committee comprised of the following members, all of whom are Independent Directors except for The Hon. Warwick Smith AO:

- Mr Terry Davis (Chairman);
- Ms Annabelle Chaplain AM;
- The Hon. Warwick Smith AO; and
- Mr Richard Uechtritz.

Attendance at Committee meetings by Management is at the invitation of the Committee. Directors who are non-Committee members may also attend any meeting of the Committee by invitation.

## Independent & Related Party Committee

The Independent Directors (identified on page 48) are members of the Independent & Related Party Committee, which has Mr Terry Davis as its Chairman.

The Committee provides a forum for the review of material transactions between the Company and its related parties, including transactions with Australian Capital Equity Pty Limited and interests associated with Mr Kerry Stokes AC.

Review of related party transactions by the Committee occurs without Non-Independent Directors present. The Committee meets at least twice during the year, and the Committee otherwise holds discussions and receives Management reports concerning related party transactions as necessary. As such, the Committee provides an opportunity for the Independent Directors to meet regularly without Non-Independent Directors present.

The Chair of the Independent & Related Party Committee performs the function of a Lead Independent Director on the Board.

## Board, Committee and Director Performance Evaluation

During the financial year, Directors completed a Board Evaluation questionnaire concerning Board, Committee and Director, including Chairman, performance from which aggregated data and responses were provided to the Chairman and then presented to the Board for discussion and feedback.

The aggregated questionnaire results also provide the basis of individual discussions between Directors and the Chairman. The Chairman and each Board member consider the performance of that Board member in relation to the expectations for that Board member and consider any opportunities for enhancing future performance.

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

## Assessment of Management Performance

The performance of the MD & CEO is formally reviewed by the Board against the achievement of strategic and budgetary objectives in respect of the Group's operations and investments whilst also having regard for his personal performance in the leadership of the Group. The Board's review is carried out annually in regard to certain goals against which he is assessed, and throughout the year in regard to others, and forms the basis of the determination of the MD & CEO's performance-based remuneration.

The performance of senior executives of the Company are reviewed on an annual basis in a formal and documented interview process with either the MD & CEO or the particular executive's immediate supervisor, who evaluates performance against agreed performance goals and assessment criteria in relation to the senior executive's duties and material areas of responsibility, including management of relevant Business Units within budget, motivation and development of staff and achievement of, and contribution to, the Company's objectives. A performance evaluation of the MD & CEO and other senior executives took place during the year in accordance with this process.

## Governance and SGH Subsidiary Operating Businesses

The Company's key operating businesses (subsidiaries), WesTrac, Coates and SGH Energy are each subject to the additional oversight of separate management committees which function as subsidiary 'boards' with the rigour and formality of a board structure involving regular meetings and reporting.

These 'boards' each consist of Group Executives, including the MD & CEO, CFO, COO, Chief People Officer and the subsidiary Chief Executive, and provide a forum to review the operations of the business and to hold each subsidiary accountable.

The subsidiary business Chief Executive has overall operational accountability for their individual businesses including performance and day-to-day management, while the Company's Group level corporate resources provide central oversight of strategy, finance and accounting, legal and human resources. The subsidiary operating business 'boards' are supplemented by specialised operating business committees which assist in relation to the oversight of key aspects of the business, such as finance, health and safety, remuneration and/or project management, as required.

Each of the Company's key operating businesses reports to the Company's Board through regular comprehensive 'vertical' business board reports as well as through aggregated 'horizontal' Group-level reviews, including finance, health and safety, risk, human capital management, strategy and customer relations. This management structure enables the Company to set Group minimum standards, disseminate and reinforce a Group culture, implement compliance controls and procedures across the Group and ensure the Group's businesses maintain focus on shareholder returns. It also appropriately safeguards and reinforces the Group's processes in relation to integrity in corporate reporting, management of the Group's disclosure obligations and the Group's ability to manage risk.

# Corporate Governance Overview

## Core Values

In accordance with its Charter, the Board has reviewed and approved the following core values of the Company below which function as guiding principles and expectations for behaviour and the culture the Board and Management are seeking to embed across all the Group.

- Respect
- Owner's Mindset
- Courage
- Agility

## Diversity

The Board values diversity, including in relation to age, gender, cultural background and ethnicity and recognises the benefits it can bring to the organisation. The Board has adopted a Diversity Policy, which is available on the Company's website, that sets out the Board's commitment to working towards achieving an inclusive and respectful environment. Refer to page 52 of this Annual Report for reporting on the Diversity Policy and the measurable objectives and initiatives relating thereto.

It is the Board's ambition to achieve a diversity target of 30 per cent at the Board level. The Board is mindful of and recognises the benefits of a Board comprising directors with a broad range of skills, experiences and perspectives to execute its responsibilities. The Board will continue to review its composition to ensure that it remains appropriate for the Company, including with regard to gender diversity, as it manages succession on the Board. Additionally, the Company will post its Workplace Gender Equality Act Public Reports for 2020–2021 on its website, which contains the Company's Gender Equality Indicators, in the 'Corporate Governance' section of its website.

## Code of Conduct and other Company policies

The Board has adopted a Code of Conduct for Directors, available on the Company's website, which establishes guidelines for their conduct in matters such as ethical standards and the disclosure and management of conflicts of interests. Formal Employee Conduct Guidelines have been adopted by the Company for employees, including senior executives, and are available on the Company's website.

The Board has implemented a number of other policies and procedures to maintain confidence in the Company's integrity and promote ethical behaviour and responsible decision-making, including the following policies which are available on the Company's website:

- Continuous Disclosure policy;
- Share Trading policy;
- Diversity policy;
- Whistleblower policy;
- Fraud and Corruption policy; and
- Modern Slavery statement.

## Communications with security holders

As disclosed in the Shareholder Communications policy, which is available on the Company's website, the Board aims to ensure that security holders are informed of all major developments affecting the Company's state of affairs and that there is effective two-way communication with security holders. Shareholders are encouraged to participate in general meetings and are invited to put questions to the Chairman of the Board in that forum.

Security holders are given the option to receive communications from, and to send communications to, the Company and the Company's Share Registry electronically, to the extent possible. It is the Company's policy that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.

The Company's website [www.sevengroup.com.au](http://www.sevengroup.com.au) provides various information about the Company.

## Risk Oversight and Management

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

## Internal Control Framework and Risk Management Policy

Throughout the financial year, the Company's Internal Audit and Process Improvement function evaluated the effectiveness of the Company's governance, risk management and internal control processes by conducting detailed reviews in the areas of accounting, technology, information and business operations. The Audit & Risk Committee reviewed and approved the Internal Audit plan, its resourcing and monitored its independence and performance.

Ernst & Young has been appointed to conduct the Company's Internal Audit reviews under in-house oversight. The Board considers that this appointment provides an enhanced level of capability and technical depth which serves to embed a stronger risk and compliance culture across the organisation, whilst drawing on best practice and knowledge across operational and emerging issues. Additionally, efficiencies are gained by the externally resourced Internal Audit function working closely with the Group's external auditor, Deloitte, to ensure audit efforts are not duplicated and Internal Audit work can be relied upon.

The Company's Risk Management Policy is available on the Company's website.

## Material Risks

Under the risk framework described above, the Company has identified investment, financial, operational, environmental and social risks which it manages and mitigates. Each of the foregoing material business risks is monitored and managed by appropriate senior management within the Company who are delegated responsibility to manage or escalate issues to the Company's senior executive team. Where appropriate, external advisers are engaged to assist in managing the risk. More detail concerning these risks, and how the Company manages these risks is set out in the Operating and Financial Review of this Annual Report on pages 32 to 37 and the Company's commentary on its environmental compliance and human capital related initiatives as well as its community engagement on page 56 and pages 26 to 31 of this Annual Report.

## Environment and Sustainability

The Company is mindful of climate change and managing the environmental impact of its operations. Environmental risks are considered as part of the Company's risk assessment processes. Refer to page 31 of this Annual Report for more information on the Group's environmental practices and efforts to minimise the environmental footprint of its businesses. The Company will provide further sustainability and climate change-related commentary and disclose in its FY21 Sustainability Report to be released in September 2021.

## External Audit function

The Audit & Risk Committee meets periodically with the External Auditor without Management being present. Each reporting period, the External Auditor provides an independence declaration in relation to the audit. Additionally, the Audit & Risk Committee provides advice to the Board in respect of whether the provision of non-audit services by the External Auditor are compatible with the general standard of independence of auditors imposed by the Corporations Act.

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

## Declarations by the MD & CEO and CFO

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

The required declarations from the Chief Executive Officer and Chief Financial Officer have been given to the Board for the half-year ended 31 December 2020 and financial year ended 30 June 2021.

## Verification of Integrity of Periodic Corporate Reports

Corporate reports which are not audited or reviewed by the external auditor are prepared by Executive Management by reference to company records and systems, with external professional assistance where appropriate. Such reports, as are included in the non-audited sections of this Annual Report, are submitted to a Committee or the Board for consideration.

## Remuneration

The Directors consider that the attraction, retention and motivation of its Directors and senior executives is of critical importance in securing the future growth of the Company, its profits, share price and shareholder returns. The aggregate remuneration for Non-Executive Directors is approved by shareholders. Fees for Directors are set out in the Remuneration Report on pages 58 to 79.

The objective of the remuneration process for Executive Directors and senior executives is to ensure that remuneration packages properly reflect the duties and responsibilities of employees and that remuneration is at an appropriate but competitive market rate which enables the Company to attract, retain and motivate people of the highest quality and best skills from the industries in which the Company operates. This policy provides for the MD & CEO to consider the remuneration packages paid within the industry and the impact these people are expected to have on the operational and financial performance of the Company.

Remuneration matters concerning WesTrac's and Coates' Executives who are Key Management Personnel (KMP) of the Company are brought to the Remuneration & Nomination Committee for its consideration. Otherwise, WesTrac's and Coates' remuneration arrangements and approvals are generally respectively overseen by a WesTrac People Committee and Coates People Committee within a budget approved by the Board and reported to the Remuneration & Nomination Committee.

## Hedging Policy

The Company's Share Trading policy prohibits employees KMP from dealing in the Company's shares, if the dealing is prohibited under the Corporations Act. Therefore, in accordance with this policy, all KMP are prohibited from entering into arrangements which operate to limit the executives' economic risk in connection with Seven Group Holdings securities which are unvested or remain subject to a holding lock. The ability to deal with unvested rights is restricted in the Employee Share Option Plan and LTI Plan rules, which apply to any options over shares in the Company which may be granted from time to time.

This Corporate Governance Overview and the Corporate Governance Statement, which is available in the "Corporate Governance" section of the Company's website at [www.sevengroup.com.au/who-we-are/corporate-governance](http://www.sevengroup.com.au/who-we-are/corporate-governance), have been approved by the Board and are current as at 25 August 2021.

# Directors' Report

|                                    |    |
|------------------------------------|----|
| Directors' Report                  | 55 |
| Remuneration Report                | 58 |
| Auditor's Independence Declaration | 81 |

# Directors' Report

For the year ended 30 June 2021

The Directors present their report together with the consolidated financial statements of the Group consisting of Seven Group Holdings Limited and the entities it controlled at the end of, or during, the year ended 30 June 2021 and the auditor's report thereon.

## Board

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

Kerry Matthew Stokes AC (Executive Chairman);

Ryan Kerry Stokes AO (Managing Director & Chief Executive Officer);

Sally Annabelle Chaplain AM;

Terry James Davis;

Katherine Leigh Farrar;

Christopher John Mackay;

David Ian McEvoy;

The Hon. Warwick Leslie Smith AO; and

Richard Anders Uechtritz.

Particulars of their qualifications, experience, special responsibilities and any directorships of other listed companies held within the last three years are set out in this Annual Report under the headings "Board of Directors" on pages 44 to 45 and "Corporate Governance Overview" from page 48 form part of this report.

Warren Coatsworth is the Company Secretary. Particulars of Mr Coatsworth's qualifications and experience are set out in this Annual Report under the heading "Company Secretary" on page 47.

## Principal Activities

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

During the year and subsequent to the end of the financial year, the Group materially increased its investment in building products and construction materials via investment in Boral Limited. Please see Note 30: Events Subsequent to Balance Date in the Financial Report for further detail.

There were no other significant changes in the nature of the Group's principal activities during the financial year.

## Business Strategies, Prospects and Likely Developments

Information on the Group's operations and the results of those operations, financial position, business strategies and prospects for future financial years has been included in the "Operating and Financial Review" on pages 32 to 43.

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

## Significant Changes in the State of Affairs

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

## Matters Subsequent to the End of the Financial Year

### Increase in Group's interest in Boral

The Group's interest in Boral increased to 69.6 per cent following the closure of the Boral takeover bid on 29 July 2021 for total consideration under the bid of \$3,597.4 million.

### Caterpillar Finance Australia Limited and USPP

On 15 July 2021, the Group repaid the \$431 million facility with Caterpillar Finance Australia Limited. On 23 August 2021, the Group repaid a US\$85 million (A\$113.1 million) tranche of the USPP notes and issued \$75 million in fixed term Australian dollar notes maturing in August 2031.

### Listed investments

Subsequent to year end, the Group disposed of a substantial portion of its listed equity securities, reducing the value of the listed investment portfolio by \$120 million and redeploying this capital into the Boral bid.

### Movement in share prices of listed investments

Subsequent to year 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 financial report.

Refer to Note 30: Events Subsequent to Balance Date for further detail.

Except for the above, there are no other matters or circumstances which have arisen since 30 June 2021 that have significantly affected or may significantly affect:

- (a) the Group's operations in future financial years; or
- (b) the results of those operations in future financial years; or
- (c) the Group's state of affairs in future financial years.

# Directors' Report

## Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2021, and the number of those meetings attended by each Director, were:

| Director                         | Board* |       | Audit & Risk |     | Remuneration & Nomination |     | Independent & Related Party |     |
|----------------------------------|--------|-------|--------------|-----|---------------------------|-----|-----------------------------|-----|
|                                  | (a)    | (b)   | (a)          | (b) | (a)                       | (b) | (a)                         | (b) |
| Kerry Matthew Stokes AC          | 14(1)  | 14(1) | –            | 1   | –                         | 1   | –                           | –   |
| Ryan Kerry Stokes AO             | 14(1)  | 14(1) | –            | 8   | –                         | 6   | –                           | –   |
| Sally Annabelle Chaplain AM      | 14(1)  | 14(1) | 8            | 8   | 6                         | 6   | 3                           | 3   |
| Terry James Davis                | 14(1)  | 14(1) | –            | 1   | 6                         | 6   | 3                           | 3   |
| Katherine Leigh Farrar           | 14     | 13    | 8            | 7   | –                         | –   | 3                           | 3   |
| Christopher John Mackay          | 14(1)  | 14(1) | 8            | 8   | –                         | –   | 3                           | 3   |
| David Ian McEvoy                 | 14     | 14    | 8            | 8   | –                         | –   | 3                           | 3   |
| The Hon. Warwick Leslie Smith AO | 14     | 14    | 8            | 8   | 6                         | 6   | –                           | –   |
| Richard Anders Uechtritz         | 14     | 13    | –            | –   | 6                         | 5   | 3                           | 3   |

(a) The number of meetings held while the person was a Board or Committee member.

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

\* Bracketed numbers in the Board columns refer to the number of meetings of a Sub-Committee of the Board held and attended.

## Dividends – Ordinary Shares

Since the start of the financial year, a final fully franked dividend for the 2020 financial period of 21.0 cents per share, amounting to \$71.3 million, was paid on 13 October 2020.

Since the start of the financial year, an interim fully franked dividend for the 2021 financial year of 23.0 cents per share, amounting to \$78.0 million, was paid on 20 April 2021.

A final fully franked dividend for the 2021 financial year of 23.0 cents per share, amounting to \$83.5 million will be paid on 29 October 2021, based on the number of issued shares at the date of this report.

## Environmental Disclosure

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

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

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

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

There are no other particular and significant environmental regulations under a law of the Commonwealth or of a State or Territory applying to the Group.

## Directors' Interests in Securities

The relevant interest of each Director in ordinary shares, options, performance rights or share rights issued by the companies within the Group at the date of this report is as follows:

### Directors' holdings of Seven Group Holdings Limited securities

|                                  | Ordinary Shares | Options over Ordinary Shares | Performance Rights | Share Rights |
|----------------------------------|-----------------|------------------------------|--------------------|--------------|
| Kerry Matthew Stokes AC          | 207,304,349     | Nil                          | Nil                | Nil          |
| Ryan Kerry Stokes AO             | 501,734         | Nil                          | Nil                | 35,247       |
| Sally Annabelle Chaplain AM      | 35,860          | Nil                          | Nil                | Nil          |
| Terry James Davis                | 96,064          | Nil                          | Nil                | Nil          |
| Katherine Leigh Farrar           | 7,087           | Nil                          | Nil                | Nil          |
| Christopher John Mackay          | 11,521          | Nil                          | Nil                | Nil          |
| David Ian McEvoy                 | 32,860          | Nil                          | Nil                | Nil          |
| The Hon. Warwick Leslie Smith AO | 49,760          | Nil                          | Nil                | Nil          |
| Richard Anders Uechtritz         | 487,212         | Nil                          | Nil                | Nil          |

## Options or Performance Rights granted over Ordinary Shares in Seven Group Holdings Limited

On 1 July 2021, 170,479 deferred share rights vested to Executives under the Company's FY19 STI Plan and retention award.

At the date of this report, there are 35,247 deferred share rights in the Company that were issued to Mr R Stokes AO and a further 139,206 deferred shares to other Executives under the Company's FY20 STI Plan.

An award of 115,897 deferred share rights was made to KMP Executives on 1 July 2020 under the Company's FY21 STI Plan.

| Award                        | Grant date | Expiry   | Number           |
|------------------------------|------------|----------|------------------|
| 2019 LTI Plan <sup>(a)</sup> | 1 Jul 18   | 1 Sep 21 | 208,233          |
| 2020 LTI Plan                | 1 Jul 19   | 1 Sep 22 | 322,412          |
| 2021 LTI Plan                | 1 Jul 20   | 1 Sep 23 | 458,562          |
| 2022 LTI Plan                | 1 Jul 21   | 1 Sep 24 | 481,490          |
| <b>TOTAL</b>                 |            |          | <b>1,470,697</b> |

(a) 154,700 performance rights granted under the 2019 LTI Plan will vest following testing of the performance hurdles, resulting in 60.4 per cent of the award vesting.

These rights do not carry an entitlement to participate in any share issue. Rights were granted for nil consideration.

No other options or rights have vested or been exercised during or since the end of the financial year, nor have they expired.

## Convertible Notes

The Company has 3,500 Convertible Notes which are listed on the Singapore Stock Exchange and mature seven years from their issue date at their nominal value. The total number of ordinary shares which will be issued if the Notes are converted is 14,607,680. At the date of this report, no Notes had been converted.

# Remuneration Report

## Message from the Chair of the Remuneration & Nomination Committee

Dear Shareholders

On behalf of the Board, I am pleased to present the Remuneration Report for the 2021 financial year (FY21), which sets out remuneration information for Key Management Personnel (KMP) Executives and Non-Executive Directors.

The SGH Executive Remuneration Framework has evolved over recent years to rebalance executive remuneration towards at-risk elements that reward KMP Executives for achieving performance aligned to shareholder interests. In designing the framework and determining remuneration outcomes, the Board takes into consideration business and individual executive performance and feedback from shareholders, while ensuring alignment to market practice and industry benchmarks.

A key element of our continued success is the contribution made by the people working across all our businesses. During the year the Board approved the implementation of the SGH Employee Share Purchase Plan (ESPP), providing employees the opportunity to share in the value that they help generate for shareholders. Under the ESPP, employees are able to purchase shares in SGH via salary sacrifice contributions, with the high take-up rate demonstrating the engagement and commitment of our employees to the future long-term growth of the Group.

### FY21 BUSINESS PERFORMANCE

FY21 was another year of strong results despite the impacts from ongoing lockdowns and border closures. The disciplined approach of our businesses continued to mitigate the impact on our operations and customers, while maintaining a safe workplace for employees and contractors. The continued commitment of our people alongside the focused efforts of the Executive Management team and the disciplined execution of strategy delivered the following business outcomes in FY21:

- Uplift in trading revenue from operations to \$4,838.7 million, a year-on-year increase of 6.1%;
- Strong performance in underlying EBIT of \$792.1 million, a year-on-year increase of 7.3%;
- Fully franked ordinary dividend per share of 46 cents, an increase of 9.5%;
- Total Shareholder Return (TSR) was 31.6% for the three years to 30 June 2021.

In addition to the financial results achieved in FY21, the Group continued to strengthen its diversified portfolio, acquiring 69.6% of Boral Limited in execution of the company's strategy to ensure long-term value creation for shareholders.

### FY21 REMUNERATION OUTCOMES

All remuneration decisions with respect to FY21 were carefully considered by the Board, in the context of the current environment while striving to ensure outcomes are aligned with shareholder interests and expectations of the broader community. It is important to note that for the second successive year, no adjustments were made to FY21 STI targets or LTI vesting outcomes for the impact of COVID-19.

The Short Term Incentive (STI) Program is designed to focus KMP Executives on delivering annual financial, strategic and people targets that ultimately contribute to achieving long term strategic objectives. STI outcomes for FY21 continue to demonstrable the link between business performance and rewards for KMP Executives, with STI outcomes ranging from 88.1% to 120.9% of target differentiated for executive performance against key financial, strategic and operational objectives.

The SGH Long Term Incentive (LTI) Plan rewards KMP Executives for long term performance of the Group directly aligned to the shareholder experience. Performance rights granted under the FY19 LTI award were tested against the performance hurdle of relative Total Shareholder Return (TSR) for the period 1 July 2018 to 30 June 2021, with partial vesting of 60.4% of the award following the conclusion of the performance period on 30 June 2021.

The Board will continue to review the structure and operation of the SGH Executive Remuneration Framework to ensure that it remains aligned to shareholder interests.

We look forward to welcoming you to our 2021 AGM.



**Terry Davis**

Chairman of the Remuneration & Nomination Committee

## Remuneration report – audited

This Remuneration Report for the year ended 30 June 2021 (FY21) outlines the remuneration arrangements of the Company and the Group in accordance with the Corporations Act 2001 (the Corporations Act) and its regulations. This information has been audited as required by section 308(3C) of the Corporations Act.

The Remuneration Report is presented under the following main headings:

1. **Introduction**
2. **Remuneration Governance**
3. **Summary of Group Performance and Incentive Outcomes**
4. **Executive Remuneration Principles: Linking Strategy with Outcomes**
5. **KMP Executive Remuneration Framework**
6. **Executive Chairman and Non-Executive Director Remuneration Framework**
7. **Link Between Remuneration and Group Performance**
8. **Summary of Executive Contracts**
9. **KMP Equity Holdings**
10. **KMP Related Party Transactions**
11. **Remuneration in Detail**

### 1. Introduction

The Remuneration Report outlines key aspects of the Company's remuneration policy and framework and provides details of remuneration awarded to Key Management Personnel (KMP) during FY21.

KMP includes Executive Directors, Non-Executive Directors and certain senior executives of the Group who have authority and responsibility for planning, directing and controlling the activities of the Group (Group Executives). Executive Directors (excluding the Executive Chairman) and Group Executives are hereafter collectively referred to in this report as KMP Executives.

The Group's KMP for FY21 are listed in the table below.

| Executive Directors            | Title                                                  | FY21 Status | KMP Status |
|--------------------------------|--------------------------------------------------------|-------------|------------|
| Kerry Matthew Stokes AC        | Executive Chairman                                     | Full Year   | Current    |
| Ryan Kerry Stokes AO           | Managing Director & Chief Executive Officer (MD & CEO) | Full Year   | Current    |
| <b>Non-Executive Directors</b> |                                                        |             |            |
| Sally Annabelle Chaplain AM    | Director                                               | Full Year   | Current    |
| Terry James Davis              | Director                                               | Full Year   | Current    |
| Katherine Leigh Farrar         | Director                                               | Full Year   | Current    |
| Christopher John Mackay        | Director                                               | Full Year   | Current    |
| David Ian McEvoy               | Director                                               | Full Year   | Current    |
| Warwick Leslie Smith AO        | Director                                               | Full Year   | Current    |
| Richard Anders Uechtritz       | Director                                               | Full Year   | Current    |
| <b>Group Executives</b>        |                                                        |             |            |
| Gitanjali Bhalla               | Group Chief People Officer                             | Full Year   | Current    |
| Jarvas Ernest Croome           | Chief Executive Officer, WesTrac                       | Full Year   | Current    |
| James Nathan Goth              | Group Chief Operating Officer                          | Full Year   | Current    |
| Richard Joseph Richards        | Group Chief Financial Officer (CFO)                    | Full Year   | Current    |
| Murray John Vitlich            | Chief Executive Officer, Coates                        | Full Year   | Current    |

### Impact of COVID-19 on FY21

The Board is mindful of the ongoing impact of COVID-19 and the resilience displayed by our people and our businesses in FY21. Despite the various restrictions and border closures in place, the majority of the Group's businesses were able to continue operating thereby mitigating the impact on our employees. Since the start of the pandemic, SGH or its wholly owned businesses have not accessed the Australian Government's JobKeeper payments.

# Remuneration Report

## FY21 Short Term Incentive (STI) Outcomes

STI outcomes for participants are commensurate with the delivery of strong financial and non-financial results, including the completion of transformative, value accretive transactions, despite the challenges and ongoing impact of restrictions. Performance for FY21 has been assessed against Executive Key Performance Indicator (KPI) targets that have not been adjusted for COVID-19.

## FY21 Long Term Incentive (LTI) Grant

Due to the ongoing impact of the COVID-19 pandemic and the uncertainty around long-term financial targets at the time of grant, the Board made a determination to retain relative TSR as the single measure for the FY21 LTI grant as it provides strong alignment of KMP Executive reward outcomes to the Group's strategic objective of maximising returns to shareholders through long-term, sustainable value creation.

## FY22 Remuneration Framework

The current remuneration strategy and adjustments to the framework, ensure it is well positioned to support the business strategy and objectives for FY22. The Board will continue to monitor and review the remuneration framework including the FY22 LTI to ensure it continues to align with contemporary corporate governance and shareholder interests.

## 2. Remuneration Governance

### Role of the Remuneration & Nomination Committee

The role and responsibilities of the Remuneration & Nomination Committee (the Committee) are explained in detail in the Corporate Governance Statement.

The key responsibilities of the Committee are summarised below and include the following:

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

During the financial year, Committee membership remained unchanged and comprised of: Mr Terry Davis (Chair); Ms Annabelle Chaplain AM; Mr Warwick Smith AO; and Mr Richard Uechtritz.

### Engagement of remuneration advisors

During FY21, no remuneration advisors were engaged by the Company to make any remuneration recommendations relating to KMP as defined by the Corporations Act.

## 3. Summary of Group Performance and Incentive Outcomes

FY21 was another year of strong results with growth in financial performance, continued strengthening of the Group's diversified portfolio with the Group's investment in Boral and further improvement in operational and safety performance, resulting in incentives being awarded to KMP Executives.

## Strong financial performance

- Uplift in trading revenue from operations to \$4,838.7 million, a year-on-year increase of 6.1%;
- FY21 Group underlying EBIT of \$792.1 million, a year-on-year increase of 7.3%; and
- TSR of 22.3% for the 12 months to 30 June 2021.

## Major value accretive and transformative transaction

- Acquisition of 69.6% of Boral Limited aligned with our strategy of value creation for shareholders.

## Capital management that enhanced shareholder value

- Strong capital markets support for the Group demonstrated through:
  - extension and upsize of tranche A of syndicated finance facility to \$558 million;
  - oversubscribed underwritten equity placement of \$500 million and share purchase plan; and
  - execution of \$6.2 billion bridge finance facility to support Boral takeover offer.
- Annual dividend increased to 46 cents, fully franked.

## Continued improvement in safety and people metrics

- Improved safety performance with year on year improvements in LTIFR of 12.3% and TRIFR of 14.1%;
- Continued improvements in gender diversity with increases in the proportion of female employees across management and non-management roles; and
- Strong endorsement of a positive culture supported by improved engagement and reduced turnover in a difficult labour market.

## FY21 Short Term Incentive Outcomes

Every year, the Board sets challenging performance targets for management and directly aligns executive incentives to the achievement of those targets. Where performance does not meet targets set, executives derive no benefit from their 'at risk' incentive components.

Based on performance for FY21, the incentive outcomes for KMP executives for FY21 ranged from 88.1% to 120.9% of target, differentiated for executive performance against key financial, strategic and operational objectives. Some executives were awarded above target incentives for outperformance against key financial and strategic objectives.

In line with FY20, no incentive targets or outcomes were adjusted for impact of COVID-19.

## Long Term Incentive Vesting Outcomes

On 30 June 2021 the performance period for the FY19 LTI award was completed:

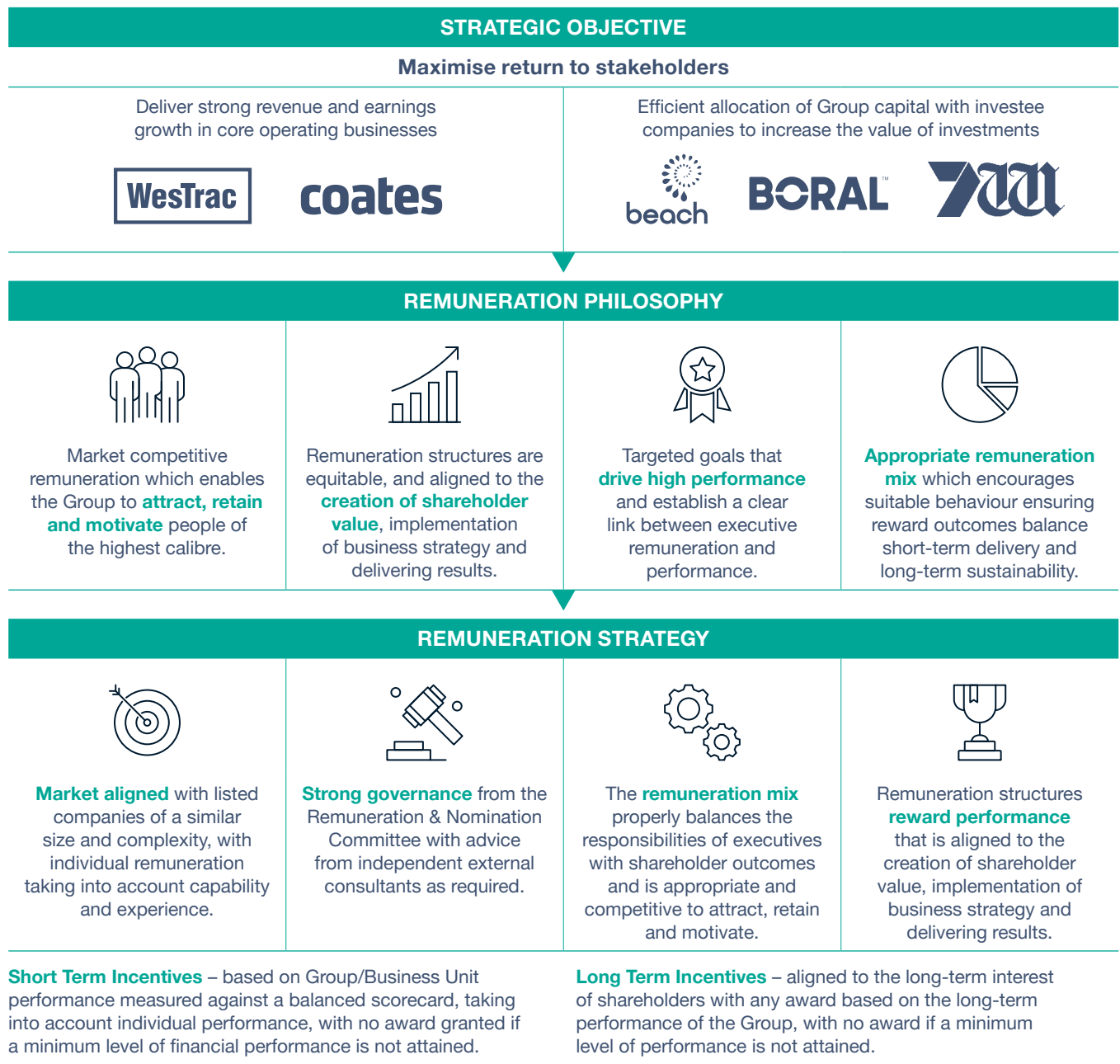
| Award    | Performance Period                    | Performance Hurdle |
|----------|---------------------------------------|--------------------|
| FY19 LTI | 1 Jul 2019 – 30 Jun 2021<br>– 3 years | Relative TSR       |

The FY19 LTI award was tested following the end of the performance period on 30 June 2021 and the Company's relative TSR performance over the three-year period resulted in partial vesting of 60.4% of the grant. In accordance with the terms and conditions of the FY19 LTI offer, the vested awards are subject to a one-year holding lock.

## 4. Executive Remuneration Principles: Linking Strategy with Outcomes

### Remuneration principles

The Group's executive remuneration structure is designed to attract and retain high performing individuals, align executive reward to the Group's business objectives, and to create long-term shareholder value. Further details on the KMP Executive remuneration framework are set out in Section 5 of the Remuneration Report.



# Remuneration Report

## Minimum shareholding guidelines for KMP Executives

The minimum shareholding requirement applies to KMP Executives to reinforce the Company's objective of aligning their interests with the interests of shareholders, and to foster an increased focus on building long-term shareholder value. The obligations impose a minimum level of shareholding based on the KMP Executive's length of service with the Group, as set out in the table below.

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

As at 30 June 2021, all KMP Executives comply with the minimum shareholding guidelines. Shareholdings for each KMP are detailed in Section 9 of the Remuneration Report.

## 5. KMP Executive Remuneration Framework

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

Total remuneration comprises fixed and variable remuneration (which is dependent on the achievement of financial and non-financial performance measures). The Group aims to reward KMP Executives with a level and mix of remuneration appropriate to their position, responsibilities and performance within the Group and aligned with market practice. Total remuneration is comprised of three main elements, Fixed Remuneration (FR) Short Term Incentives (STI) and Long Term Incentives (LTI).

The Group's policy is to position total remuneration for KMP Executives principally within a competitive range of a peer group. This includes Australian listed companies with characteristics most like SGH when compared against a set of financial and qualitative metrics, most typically companies in the ASX100.

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

A snapshot of the executive remuneration framework for FY21 is summarised below.

|       | ELEMENT                                         | DELIVERY                                                                                   | STRUCTURE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-------|-------------------------------------------------|--------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FIXED | FR                                              | Cash and Superannuation Contributions                                                      | <ul style="list-style-type: none"> <li>Base pay and superannuation</li> <li>Aligned with market pay comparators</li> <li>Set to reflect experience and role complexity</li> <li>Ensures attraction and retention of best candidates</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                            |
|       | VARIABLE<br>'At risk' and linked to performance | STI<br>(Financial performance of the Group/<br>Business Unit and Individual over the year) | <ul style="list-style-type: none"> <li>Cash (50%) <ul style="list-style-type: none"> <li>STI plan gateway is 90% of underlying EBIT</li> <li>Key Performance Indicators (KPIs) are set at the start of the financial year</li> <li>KPIs are weighted between financial metrics, delivery against strategic initiatives, people and safety metrics</li> </ul> </li> <li>Share Rights (50%)<br/>Vest after 2 years <ul style="list-style-type: none"> <li>50% of the incentive outcome is delivered in cash after the financial year end, with the remaining 50% delivered in share rights that vest after two years subject to continued employment</li> </ul> </li> </ul> |
|       |                                                 | LTI<br>(Financial performance of the Group over 3 years)                                   | <ul style="list-style-type: none"> <li>Performance Rights</li> <li>Vest after 3 years, plus a 1 year holding lock</li> <li>Rights issued at the start of the performance period</li> <li>Rights only vest based on performance: <ul style="list-style-type: none"> <li>100% based on the relative TSR performance against the ASX100 (excluding financial services companies)</li> </ul> </li> </ul>                                                                                                                                                                                                                                                                      |

### KMP Remuneration mix

The ratio between fixed and variable pay further incentivises executives to focus on the Company's short and long-term performance, with a greater portion of remuneration at risk. In reviewing remuneration for KMP executives, the Board has remained cognisant of shareholder feedback and of the remuneration mix for similar companies, with a greater focus on "at risk" reward, providing a stronger link between shareholder experience and executive remuneration outcomes.

Over recent years the Board has made incremental adjustments to the remuneration mix to have a greater proportion delivered as performance based remuneration, where executives will only be rewarded for the achievement of the Company's strategic and business objectives and shareholder outcomes.

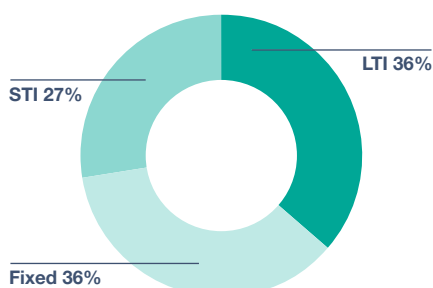
### FY21 Remuneration Mix

The Board determined the following changes to the LTI opportunity to further align incentives with appropriate market comparators:

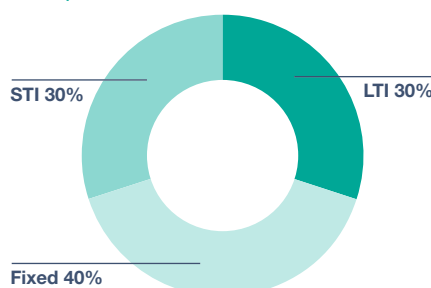
- **MD & CEO** – LTI Opportunity of 100% of fixed remuneration; and
- **Other Executive KMP** – LTI Opportunity of 75% of fixed remuneration.

This resulted in the following FY21 remuneration mix for KMP Executives at Target STI and LTI grant value:

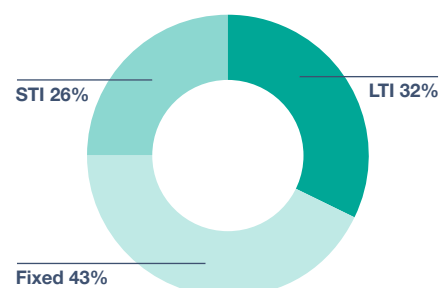
#### MD&CEO



#### Group CFO



#### Other KMP Executives



To further reinforce the alignment of Executives to shareholder interests, 50% of the STI is delivered as restricted share rights, which have a two-year holding lock applied. The diagram below shows the mix of cash and equity for at risk remuneration.

#### Cash/Equity Mix at Target

|                      |     |     |
|----------------------|-----|-----|
| MD & CEO             | 21% | 79% |
| CFO                  | 25% | 75% |
| Other KMP Executives | 22% | 78% |

#### Cash/Equity Mix at Maximum STI

|                      |     |     |
|----------------------|-----|-----|
| MD & CEO             | 25% | 75% |
| CFO                  | 29% | 71% |
| Other KMP Executives | 26% | 74% |

■ Cash ■ Equity

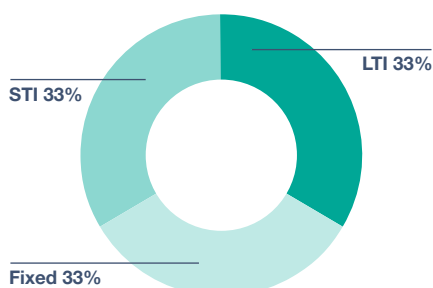
### FY22 Target Remuneration Mix

In addition to the changes to the LTI Opportunity in FY21, the following changes to STI will apply in FY22 to achieve the target remuneration mix outlined below:

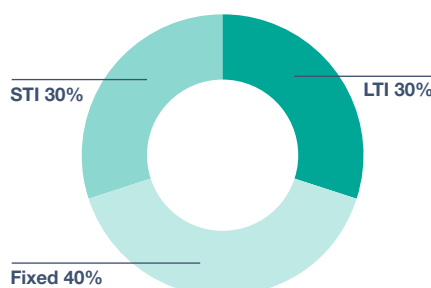
- **MD & CEO** – STI Opportunity of 100% of fixed remuneration with a maximum of 133%; and
- **Other Executive KMP** – STI Opportunity of 75% of fixed remuneration with a maximum of 100%.

The diagram below illustrates the remuneration mix for KMP Executives from 1 July 2021:

#### MD & CEO



#### Other KMP Executives

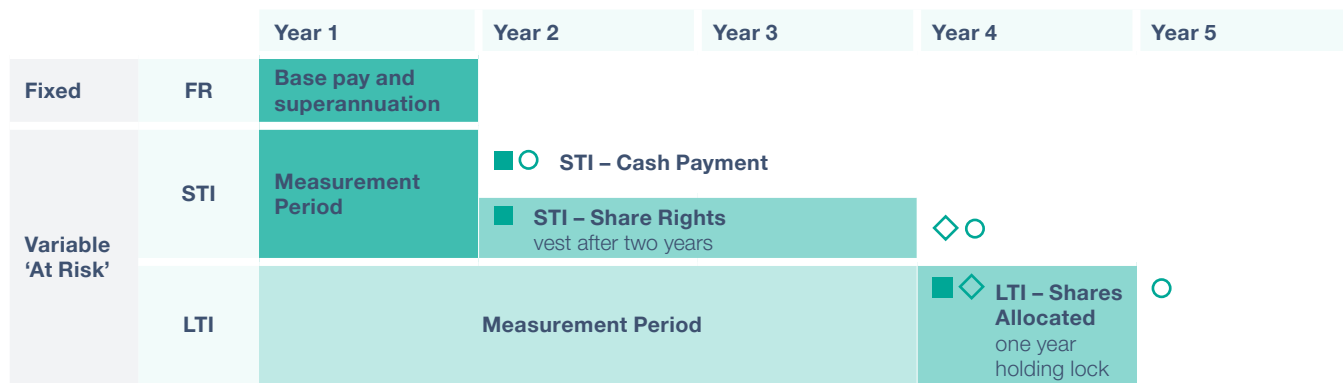


The adjustments to the remuneration mix for the MD & CEO have been achieved without any increase in fixed remuneration, with his fixed remuneration remaining unchanged since his appointment on 1 July 2015.

# Remuneration Report

## Timing of Remuneration Outcomes

The diagram below shows the timing of remuneration outcomes. What a KMP Executive may earn in one financial year, may not become available until a later date, and may be subject to further conditions including additional performance measures and continued employment.



○ Benefit received by KMP    ■ Measurement of STI/LTI Performance    ◇ Allocation of SGH shares

The Company's STI and LTI plans are described in detail below.

### A. STI plan

KMP Executives participate in the Company's STI plan, which provides the opportunity to receive an annual incentive subject to the achievement of annual financial, strategic and operational performance objectives.

#### Financial gateway

A minimum financial outcome must be achieved before KMP Executives become eligible for a STI award. This gateway helps to clearly align the interests of shareholders and executives by limiting STI awards where minimum financial performance by the Group is not achieved.

The financial gateway applied is Group underlying EBIT compared to target in accordance with the table below. Group underlying EBIT is the Group's audited statutory profit before significant items, net finance costs and income tax. If the Group does not achieve at least 90% of underlying EBIT, no STI awards become available and any outcomes are subject to the discretion of the Board.

| % of Group underlying EBIT Achieved | <90 | 90 – <95 | 95 – <100 | 100 – 120 | 120+ |
|-------------------------------------|-----|----------|-----------|-----------|------|
| Potential % of On-Target STI Award  | –   | 25       | 50        | 100 – 133 | 133  |

### STI goals

The performance of each KMP Executive is measured using a balanced scorecard approach, based on measurable and quantifiable KPI targets. Financial and non-financial measures are differentially weighted to reflect the focus of each KMP Executive in driving the overall business strategy.

The KPIs for each KMP Executive are reviewed by the Committee and approved prior to the commencement of the new financial year. KPIs are set to be challenging and to focus management on strategic business objectives that ultimately create shareholder value. Financial KPIs are utilised as they represent value creation and reflect the Company's core financial metrics. Non-financial KPIs drive performance including operational efficiencies, key customer/project wins and improved safety and productivity in the workplace.

### Performance measurement

The Committee assesses the performance of the MD & CEO and makes a recommendation on the STI award to the Board for its consideration, and if thought fit, approval. The MD & CEO assesses the performance of other KMP Executives against targets and recommends STI awards for each to the Committee for consideration and, if thought fit, approval.

Target performance is set to ensure alignment with the Board approved budget for the financial year. The potential to receive an above-target STI award, up to the maximum, is triggered by financial outperformance at the Group or Business Unit level. The STI awards are then further calibrated based on individual contribution to business performance and the delivery of strategic priorities. STI awards are not provided in circumstances where individual performance is unsatisfactory.

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

### STI award

Typically, half of the STI award is delivered as a lump sum cash payment and the remaining half is delivered as share rights. Once granted, the share rights vest subject to continued employment over a two-year vesting period. For the FY21 award, the two-year vesting period commenced on 1 July 2021 and will conclude on 1 July 2023.

Further details on the deferred share rights under the STI plan are set out below.

#### STI Plan – Deferred Share Rights

|                                                      |                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Who will participate?                                | KMP Executives employed by the Group will have 50% of their STI award deferred into share rights in the Company.                                                                                                                                                                                                                                  |
| What will be granted?                                | Subject to the achievement of KPIs for the relevant financial year, 50% of STI awards will be made as share rights which will be granted for nil consideration. Each right entitles the participant to one ordinary share in the Company, which vests at the end of the two-year period.                                                          |
| How many shares rights will be granted?              | The number of share rights granted to each participating KMP Executive is equivalent to 50% of their STI award divided by the SGH five-day VWAP (Volume Weighted Average Price) to 30 June prior to the commencement of the vesting period, adjusted for the value of expected dividends foregone.                                                |
| What will be the vesting performance measures?       | The share rights granted under the STI plan do not have any further performance hurdles and vest subject to continuous employment over a two-year vesting period.                                                                                                                                                                                 |
| Do the share rights carry dividend or voting rights? | The share rights do not carry dividend or voting rights.                                                                                                                                                                                                                                                                                          |
| What happens in the event of a change in control?    | In the event of a change of control of the Company, any unvested share rights will vest.                                                                                                                                                                                                                                                          |
| What happens if the participant ceases employment?   | If the participant ceases employment with the Company due to termination for cause or gross misconduct, or other reasons determined by the Board, all unvested share rights will lapse.<br>If the participant ceases employment other than for the reasons outlined above the share rights will not lapse, unless the Board determines otherwise. |

### B. LTI plan

The purpose of the LTI plan is to drive sustained performance and long-term shareholder value creation, encourage retention of the KMP Executive, and ensure alignment of executive remuneration outcomes with shareholder interests.

LTI awards are structured as rights to acquire ordinary shares in the Company at no cost to the participant and are subject to a relative TSR hurdle measured against the ASX100 (excluding financial services companies). Once granted, awards only vest if the performance hurdles over a three-year performance period are met. For the FY21 award, the three-year performance period commenced on 1 July 2020 and will conclude on 30 June 2023. Following vesting, the shares are subject to a one-year trading restriction which means that under the terms of the LTI, executives will only be able to realise value from the awards at the end of a four-year period.

#### Performance Hurdles

The performance hurdle for the FY21 LTI grant is relative TSR and is measured against a comparator group of ASX100 (excluding financial services companies). Due to the ongoing impact of the COVID-19 pandemic and the uncertainty around long-term financial targets at the time of grant, the Board made a determination to retain relative TSR as the single measure for the FY21 LTI grant. The Board believes that during this time the relative TSR metric most clearly aligns KMP Executives to the Group's strategic objective of maximising returns to shareholders through long-term, sustainable value creation. The ASX100 (excluding financial services companies) was determined to be the most appropriate comparator group given the diversity of the Company's holdings across industrial services, media, energy and other investments.

#### LTI Plan – Performance Rights

|                                                |                                                                                                                                                                                                                                                                                                                                                            |
|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| What will be granted?                          | Performance rights are granted for nil consideration. Each right entitles the participant to one ordinary share in the Company, with vesting subject to the achievement of the performance hurdles.                                                                                                                                                        |
| How many performance rights will be granted?   | The value of LTI granted annually is:<br>– MD & CEO – 100% of FR<br>– Other KMP Executives – 75% of FR.<br><br>The number of performance rights granted to each KMP Executive is equivalent to the value of the LTI grant divided by the SGH five-day VWAP to 30 June prior to the commencement of the performance period adjusted for dividends foregone. |
| What will be the vesting performance measures? | The vesting of 100% of performance rights granted under the LTI plan will be dependent on a relative TSR measure.                                                                                                                                                                                                                                          |

# Remuneration Report

## LTI Plan – Performance Rights

| Why was the TSR performance hurdle chosen, and how is performance measured? | <p>Relative TSR provides an indicator of shareholder value creation by comparing the Company's return to shareholders relative to other companies of similar size. TSR provides an external, market-based hurdle and creates alignment of executive remuneration outcomes to shareholder returns. Participants will not derive any benefit from the grant unless the Company's performance is at or above the 51st percentile of the comparator group.</p> <p>The comparator group chosen for assessing the Company's relative TSR consists of constituents of the ASX100 (excluding financial services companies). This comparator group was selected as it represents a broad base of companies against which investors may benchmark their investment.</p> <p>The comparator group is defined at the start of the performance period. The composition of the comparator group may change as a result of corporate events, such as mergers, acquisitions, de-listings etc. The Board has agreed guidelines for adjusting the comparator group following such events, and has the discretion to determine any adjustment to the comparator group.</p> <p>The percentage of TSR performance rights that vest (if any) at the end of the performance period will be based on the following schedule:</p> <table> <tr> <th>Company's TSR ranking relative to comparator group companies</th><th>Proportion of TSR performance rights that vest</th></tr> <tr> <td>Equal to or above 75th percentile</td><td>100%</td></tr> <tr> <td>Between the 51st and up to 75th percentiles</td><td>50% vesting on a straight-line basis to 100%</td></tr> <tr> <td>At the 51st percentile</td><td>50%</td></tr> <tr> <td>Below 51st percentile</td><td>Nil</td></tr> </table> | Company's TSR ranking relative to comparator group companies | Proportion of TSR performance rights that vest | Equal to or above 75th percentile | 100% | Between the 51st and up to 75th percentiles | 50% vesting on a straight-line basis to 100% | At the 51st percentile | 50% | Below 51st percentile | Nil |
|-----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|------------------------------------------------|-----------------------------------|------|---------------------------------------------|----------------------------------------------|------------------------|-----|-----------------------|-----|
| Company's TSR ranking relative to comparator group companies                | Proportion of TSR performance rights that vest                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                              |                                                |                                   |      |                                             |                                              |                        |     |                       |     |
| Equal to or above 75th percentile                                           | 100%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                              |                                                |                                   |      |                                             |                                              |                        |     |                       |     |
| Between the 51st and up to 75th percentiles                                 | 50% vesting on a straight-line basis to 100%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                              |                                                |                                   |      |                                             |                                              |                        |     |                       |     |
| At the 51st percentile                                                      | 50%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                              |                                                |                                   |      |                                             |                                              |                        |     |                       |     |
| Below 51st percentile                                                       | Nil                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                              |                                                |                                   |      |                                             |                                              |                        |     |                       |     |
| When will performance be tested?                                            | <p>Awards will be subject to a three-year performance period with an additional one-year trading restriction. The three-year performance period commences at the beginning of the financial year to which the award relates. In the case of the FY21 award, the performance period commenced on 1 July 2020. Immediately following the completion of the performance period, the performance hurdles are tested to determine whether, and to what extent, awards vest.</p> <p>Upon vesting of the rights, the Board has discretion to either issue new shares or acquire shares on market.</p> <p>Any performance rights that do not vest following testing of performance hurdles will lapse. There is no retest.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                              |                                                |                                   |      |                                             |                                              |                        |     |                       |     |
| Do the performance rights carry dividend or voting rights?                  | Performance rights do not carry dividend or voting rights.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                              |                                                |                                   |      |                                             |                                              |                        |     |                       |     |
| What happens in the event of a change in control?                           | In the event of a change of control of the Company the Board will have discretion to determine whether, and the extent to which, unvested performance rights vest. The Board will consider when making its decision the extent to which performance hurdles have been achieved to the date of the event.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                              |                                                |                                   |      |                                             |                                              |                        |     |                       |     |
| What happens if the participant ceases employment?                          | <p>If the participant ceases employment with the Company due to termination for cause or gross misconduct, or other reasons determined by the Board, all unvested performance rights will lapse.</p> <p>If the participant ceases employment other than for the reasons outlined above the performance rights will not lapse, unless the Board determines otherwise.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                              |                                                |                                   |      |                                             |                                              |                        |     |                       |     |

It is important to note that accounting standards require that the expense relating to equity instruments (such as the performance shares and options allocated under the LTI plan) be reflected over the performance period, notwithstanding that the executives may never receive any actual value from such a grant.

Furthermore, LTI awards will only deliver benefits to participants if shareholder returns are achieved and the KMP Executive remains employed by the Company over the three-year performance period. For Mr R Stokes AO, who has an interest in shares in the Company which represents more than 10% of the Company's issued share capital, and in accordance with practice in prior years, the LTI awards will be cash-settled, should the rights vest.

## Prior LTI grants

Performance rights that were awarded at the commencement of the performance period to eligible KMP for prior years:

| Grant | Measurement Period                   | Performance Measures | Holding Lock |
|-------|--------------------------------------|----------------------|--------------|
| FY19  | 1 July 2018 – 30 June 2021 – 3 years | 100% TSR             | 1 year       |
| FY20  | 1 July 2019 – 30 June 2022 – 3 years | 100% TSR             | 1 year       |

The performance conditions for the FY19 and FY20 grants are listed below:

The percentage of TSR performance rights that vest (if any) at the end of the performance period will be based on the following schedule:

| Company's TSR ranking relative to comparator group companies | Proportion of TSR performance rights that vest |
|--------------------------------------------------------------|------------------------------------------------|
| Equal to or above the 75th percentile                        | 100%                                           |
| Between the 51st and up to 75th percentiles                  | 50% vesting on a straight-line basis to 100%   |
| At the 51st percentile                                       | 50%                                            |
| Below the 51st percentile                                    | Nil                                            |

The FY19 LTI award was tested following the end of the performance period on 30 June 2021 and the Company's relative TSR performance over the three-year period resulted in partial vesting of 60.4% of the grant. In accordance with the terms and conditions of the FY19 LTI offer, the vested awards are subject to a one-year holding lock.

#### Other awards

As disclosed previously, the Board made an equity allocation of 45,000 share rights to the Group CFO, Mr R Richards that will vest in two tranches. The first tranche of 30,000 share rights vested in July 2020 and the second tranche of 15,000 share rights will vest in July 2021 with an additional one-year holding lock in place for both tranches.

### C. Managing Director & Chief Executive Officer remuneration

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

#### Fixed remuneration

The MD & CEO's FR is \$1.6 million per annum inclusive of superannuation and has remained unchanged since his appointment as MD & CEO on 1 July 2015. It has been set in line with the Group's policy of positioning total reward for KMP Executives principally within a competitive range of its peers which includes Australian listed companies similar to SGH when compared against a set of financial and qualitative metrics. Given the diverse nature of the SGH operating businesses and investments, remuneration benchmarking for the MD & CEO is undertaken across all industries, typically ASX100 companies.

#### Variable (at-risk) remuneration

The MD & CEO is eligible to participate in performance-linked remuneration consistent with other KMP Executives under the Company's STI plan described at Section 5A of the Remuneration Report and the Company's LTI plan described at Section 5B of the Remuneration Report.

The MD & CEO's target opportunity under the STI plan is 75% of FR, with a maximum opportunity of 100% of FR. The MD & CEO's opportunity under the LTI plan is 100% of FR.

#### Impact of accounting for cash settled awards

Tax deferral on equity incentive plans is not permitted where an executive has an interest in shares in the Company which represents more than 10% of the Company's issued share capital. As such, an approach to achieve an equivalent outcome to other executives participating in the plan is to cash-settle the rights using the same terms and conditions as for the performance rights that are equity-settled under the LTI plan. As Mr R Stokes AO has an interest in shares in the Company which represents more than 10% of the Company's issued share capital, should the LTI award rights vest, they will be cash-settled.

Accounting Standard AASB 2: Share Based Payments requires the fair value of cash-settled equity plans to be re-measured each year, unlike equity-settled plans where the fair value is calculated at the start of the performance period. The fair value is re-measured taking into consideration a number of inputs including share price from date of grant. The re-measurement of the fair value of the cash-settled equity for Mr R Stokes AO has resulted in an approximate change of \$991,276 over the year.

If the awards had been equity-settled, the total remuneration reflected in the remuneration tables at Section 11B would have been \$3,800,073 as compared to \$4,791,349 as currently stated in the table.

## 6. Executive Chairman and Non-Executive Director Remuneration Framework

The aggregate pool available for the payment of fees to the Executive Chairman and Non-Executive Directors is \$2.4 million per annum. The fee pool was last reviewed at the Company's 2019 AGM.

The available fee pool provides flexibility for the Company to appoint other suitably qualified Non-Executive Directors as required, manage director succession and ensure that the Board remains comprised of high-calibre Directors with a mix of skills, strategic competencies, qualifications and experience to oversee the Company's diverse range of operations and investments.

# Remuneration Report

## Executive Chairman and Non-Executive Director fees

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

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

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

The table below sets out the base and committee fee structure inclusive of superannuation as it applied in FY21, with no increases in fees from FY20.

| Role                        | Base Fees        |           | Committee Chair Fees |          | Committee Member Fees |          |
|-----------------------------|------------------|-----------|----------------------|----------|-----------------------|----------|
|                             | 2021             | 2020      | 2021                 | 2020     | 2021                  | 2020     |
| Executive Chairman          | <b>\$385,000</b> | \$385,000 |                      |          |                       |          |
| Non-Executive Director      | <b>\$170,000</b> | \$170,000 |                      |          |                       |          |
| Audit & Risk                |                  |           | <b>\$80,000</b>      | \$80,000 | <b>\$20,000</b>       | \$20,000 |
| Remuneration & Nomination   |                  |           | <b>\$40,000</b>      | \$40,000 | <b>\$20,000</b>       | \$20,000 |
| Independent & Related Party |                  |           | <b>\$40,000</b>      | \$40,000 | <b>\$20,000</b>       | \$20,000 |

## 7. Link Between Remuneration and Group Performance

The remuneration framework of the Group is designed to reward superior performance including returns to shareholders. The table below shows the Group performance in key areas for the last five financial years.

|                                                                                          | 2021           | 2020 <sup>(a)</sup> | 2019      | 2018    | 2017      |
|------------------------------------------------------------------------------------------|----------------|---------------------|-----------|---------|-----------|
| Statutory NPAT (\$m) <sup>(b)</sup>                                                      | <b>\$634.6</b> | \$117.5             | \$202.9   | \$415.6 | \$46.2    |
| NPAT (excluding significant items) (\$m) <sup>(b/c)</sup>                                | <b>\$504.6</b> | \$471.8             | \$460.8   | \$332.3 | \$215.4   |
| Significant items (\$m)                                                                  | <b>\$130.0</b> | \$(354.3)           | \$(257.9) | \$83.3  | \$(169.2) |
| Profit before significant items, net finance costs and tax (Group underlying EBIT) (\$m) | <b>\$792.1</b> | \$737.9             | \$727.9   | \$514.1 | \$333.3   |
| Dividends declared per ordinary share                                                    | <b>\$0.46</b>  | \$0.42              | \$0.42    | \$0.42  | \$0.41    |
| Share price at financial year end                                                        | <b>\$20.35</b> | \$17.18             | \$18.49   | \$19.03 | \$10.94   |
| Statutory basic EPS <sup>(b)</sup>                                                       | <b>\$1.84</b>  | \$0.34              | \$0.60    | \$1.27  | \$0.07    |
| EPS (excluding significant items) <sup>(b)</sup>                                         | <b>\$1.46</b>  | \$1.39              | \$1.37    | \$1.00  | \$0.67    |
| Diluted EPS (excluding significant items) <sup>(b)</sup>                                 | <b>\$1.45</b>  | \$1.38              | \$1.37    | \$0.98  | \$0.67    |
| Total Shareholder Return                                                                 | <b>22.3%</b>   | (3.0)%              | 0.2%      | 81.3%   | 93.8%     |
| Relative Total Shareholder Return                                                        | <b>(2.2)%</b>  | 5.3%                | 12.0%     | 69.1%   | 78.2%     |
| <b>Short Term Incentive Outcomes</b>                                                     |                |                     |           |         |           |
| KMP STI achievement against target (Average)                                             | <b>108.6%</b>  | 91.8%               | 91.9%     | 101.7%  | 79.5%     |

(a) Amounts have been restated for 2020. Refer to Note 1 of the Financial Report for further detail.

(b) 2018 and 2017 figures are for continuing and discontinued operations.

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

In FY21, the Group has delivered a solid result with key commercial highlights over the year including:

- Uplift in trading revenue from operations to \$4,838.7 million, a year-on-year increase of 6.1%;
- Strong performance in underlying EBIT of \$792.1 million, a year-on-year increase of 7.3%;
- Demonstrated significant capital markets support in debt and equity raising;
- Fully franked ordinary dividend per share of 46 cents, an increase of 9.5%; and
- Continued improvements in safety performance across the Group.

The outcomes recognise the resilience of our operating businesses, as well as demonstrating the benefit of a diverse portfolio to deliver returns through the cycle. Capital continues to be deployed in a disciplined manner in keeping with our key investment themes and in industries, companies and situations where we believe we can add value. Decisions are made with a view to actively managing our investments and partnering with businesses to ensure long term returns for SGH shareholders.

## Setting KPIs for FY21

The FY21 KPIs for the MD & CEO and KMP Executives are based on the outcomes of the annual budget and strategic planning process that culminates with an in-depth review by the Board. The Board reviews the strategic focus and direction of the Group, taking into account market opportunity, economic environment and shareholder expectations. This is a rigorous process which includes setting challenging performance targets for management and directly aligns executive incentives to the achievement of those targets. Where performance does not meet targets, executives derive no benefit from their variable incentive components.

The performance of each KMP Executive is measured against a balanced scorecard based on measurable and quantifiable KPI targets which are weighted to appropriately reflect the focus of each KMP Executive in driving the overall business strategy. KPIs are set across three main areas of focus:

- **Financial** – Reflect the company's core financial metrics and are based on SGH Board approved budgets for FY21.
- **Strategic** – Focus management on the achievement of strategic business objectives that ultimately create shareholder value and are aligned with the Board approved short-term strategic goals:
  - Strategic objectives at the Group level focus on growing the SGH portfolio, creating long-term value by optimising the performance of the operating businesses, capitalising on opportunities and driving the performance of complex elements; and
  - At the operating business level strategic objectives focus on delivering customer, operational and transformation targets.
- **People & Safety** – Leadership targets that help build a productive and positive culture that synonymously supports engagement, diversity and inclusion that is value accretive for the Group. Safety targets are aligned with the Group's top priority of keeping our people safe and reinforcing a culture of zero harm.

## Impact of Boral on FY21 Budget targets

Boral was originally included in the FY21 Budget as a listed investment. With SGH increasing its shareholding to 20% and obtaining Board representation, the investment in Boral was equity accounted from October 2020, resulting in a share of Boral's NPAT being recognised in SGH UEBIT.

Following the inclusion of SGH's share of Boral's NPAT in SGH's financial results, the Board made the decision to increase the FY21 KPI targets to take into account the Boral contribution to EBIT and Return On Capital Employed (ROCE), ensuring that no KMP Executive would derive a windfall benefit from the inclusion. It is important to note that SGH's interest in Boral as at 30 June 2021 resulted in an increase in unrecognised market value of \$0.8 billion.

## MD & CEO and Group Executive Performance against FY21 KPIs

| Scorecard measure                                                                                                   | Weighting/Performance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>FINANCIAL</b>                                                                                                    | <b>50%</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Underlying EBIT and cashflow targets, Business Unit operational performance and capital efficiency                  | <b>Above target</b><br>Solid performance across the Group with 7.3% improvement on underlying EBIT from FY20.<br>Above target cashflow and capital efficiency performance.<br>Achievement of FY21 targets for operating business units.<br>Capital performance exceeded FY21 budget.                                                                                                                                                                                                                                                                                                       |
| <b>STRATEGIC</b>                                                                                                    | <b>30%</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Strong market and customer relationships, performance of the investment portfolio and achievement of strategic KPIs | <b>At target</b><br>Strong support with institutional investors and successful \$500 million capital raising.<br>Improved performance of the investment portfolio including Seven West Media.<br>Acquisition of substantial holding in Boral providing additional exposure to infrastructure investment and in an increase in unrecognised market value of \$0.8 billion at 30 June 2021.<br>Development of strategy to reducing greenhouse gas emissions to achieve net zero greenhouse gas emissions by 2040, with the release of the first SGH sustainability report in September 2021. |
| <b>PEOPLE &amp; SAFETY</b>                                                                                          | <b>20%</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Engagement, leadership and diversity targets<br>Safety indicators which include LTIFR and TRIFR                     | <b>At target</b><br>Improvements in employee engagement and regrettable turnover across the Group.<br>Improvements in women in leadership/management roles and workforce participation.<br>Strong succession optionality across the Group including the successful transition of internal successors into key roles.<br>Continued improvement in LTIFR (12.3%) and TRIFR (14.1%) from FY20 and reduction in High Potential Incidents.                                                                                                                                                      |

# Remuneration Report

## Business Unit CEO Performance against FY21 KPIs

| Scorecard measure                                                                                       | Weighting/Performance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|---------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>FINANCIAL</b>                                                                                        | <b>50%</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Underlying EBIT and cashflow targets, Business Unit operational performance and capital efficiency      | <b>At target</b><br>UEBIT growth in line with budgets, driven by higher machine sales and growth in demand for parts at WesTrac as well as support of major infrastructure projects and mining and construction customers at Coates.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>STRATEGIC</b>                                                                                        | <b>30%</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Delivery of customer focused initiatives, major contract wins, strategic goals and growth opportunities | <b>At target</b><br>WesTrac among CAT's top 5 global dealers for parts excellence.<br>WesTrac WA ranked number 1 and NSW ranked number 2 globally for Construction Industry aftermarket sales growth.<br>Continued execution of capacity expansion project including site redevelopment and optimisation.<br>Successful launch of the WesTrac Technology Training Centre in Collie WA to support the growth and development of autonomous fleets.<br>Achievement of operational performance and capital efficiency targets.<br>Simplification of customer experience at Coates through digitalisation and the implementation of self-service technology.<br>Rebranding of Coates business to highlight the broader customer offer including expert specialist services including Engineering and Industrial Solutions. |
| <b>PEOPLE &amp; SAFETY</b>                                                                              | <b>20%</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Engagement, leadership and diversity targets<br>Safety indicators which include LTIFR and TRIFR         | <b>At target / Below target</b><br>Uplift on employee engagement across WesTrac and continued improvements in culture from the Built by Us program and enhanced EVP (Employee Value Proposition).<br>Continued progress on diversity, technical skills and leadership development as well as talent management and succession.<br>Continued improvement in LTIFR and TRIFR as well as improved safety audit scores at WesTrac.<br>Coates did not achieve targets for YOY improvements in LTIFR and TRIFR.                                                                                                                                                                                                                                                                                                              |

## Individual performance and FY21 STI Outcomes

As a result of financial performance and shareholder returns delivered in FY21, STI payments will be made to KMP Executives who contributed to the strategic and operational performance of the Group. In making STI determinations, KMP Executives were evaluated against financial and non-financial targets specific to their role, which resulted in a range of STI outcomes demonstrating the strong alignment between pay and performance. Above target incentives were awarded to SGH Group Executives as a result of strong financial and operating performance and delivery of strategic objectives, including the acquisition of a substantial interest in Boral.

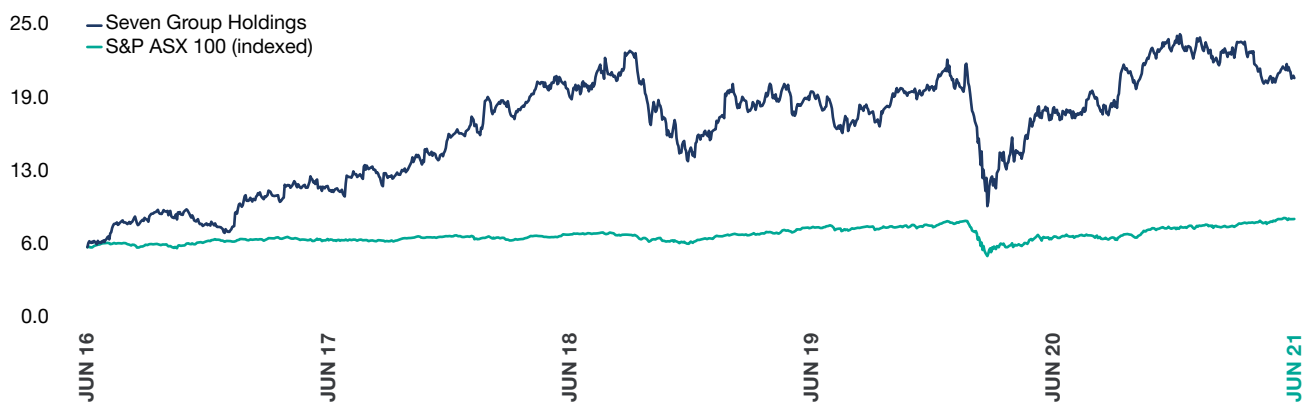
The table below provides details of the level of performance achieved against balanced scorecard KPIs and the resulting STI outcome awarded for FY21. In the table, a clear link is demonstrated between individual KMP Executive performance and STI outcome.

| KMP Executive | Percentage of Target STI Awarded | Percentage of Maximum STI Forfeited | Outcome Against STI Target                                                         |      |      |
|---------------|----------------------------------|-------------------------------------|------------------------------------------------------------------------------------|------|------|
|               |                                  |                                     | 0%                                                                                 | 100% | 133% |
| RK Stokes AO  | 121%                             | 12%                                 |  |      |      |
| G Bhalla      | 116%                             | 17%                                 |  |      |      |
| JE Croome     | 98%                              | 35%                                 |  |      |      |
| JN Goth       | 107%                             | 26%                                 |  |      |      |
| RJ Richards   | 121%                             | 12%                                 |  |      |      |
| MJ Vitlich    | 88%                              | 45%                                 |  |      |      |

■ STI Awarded    ■ STI Forfeited

### LTI outcomes

The following graph shows the Company's share price relative to the performance of the ASX100 over the five-year period from 30 June 2016 to 30 June 2021, highlighting the strong return to shareholders.



On 30 June 2021 the performance period for the FY19 LTI award was completed:

| Award    | Performance Period                 | Performance Hurdle |
|----------|------------------------------------|--------------------|
| FY19 LTI | 1 Jul 2019 – 30 Jun 2021 – 3 years | Relative TSR       |

Over the three year performance period of the FY19 LTI Plan, SGH achieved above median relative TSR performance and in line with the vesting schedule, partial vesting of 60.4% of the FY19 LTI Award was achieved.

# Remuneration Report

## Impact of accounting for cash settled awards

For some KMP Executives, their circumstances dictate that the equity awards they receive are cash-settled. While the value granted follows an identical calculation and allocation mechanism taking into account the same vesting terms and conditions as other KMP Executives, the accounting valuation for cash-settled equity may reflect a higher or lower value in the remuneration tables in section 11B due to share price volatility over the performance period.

This is in line with the requirement in AASB2: Share Based Payments where the fair value of cash settled equity awards is re-measured at each reporting period, unlike equity settled awards where the fair value is calculated at the grant date.

## 8. Summary of Executive Contracts

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

| KMP Executive | Contract Term | Notice period required by the Company | Notice period required by the Executive | Contractual termination payments    |
|---------------|---------------|---------------------------------------|-----------------------------------------|-------------------------------------|
| RK Stokes AO  | On-going      | 6 months                              | 6 months                                | No contractual termination payments |
| G Bhalla      | On-going      | 6 months                              | 6 months                                | No contractual termination payments |
| JE Croome     | On-going      | 6 months                              | 6 months                                | No contractual termination payments |
| JN Goth       | On-going      | 6 months                              | 6 months                                | No contractual termination payments |
| RJ Richards   | On-going      | 6 months                              | 6 months                                | No contractual termination payments |
| MJ Vitlich    | On-going      | 6 months                              | 6 months                                | No contractual termination payments |

## Non-Executive Directors

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

## 9. KMP Equity Holdings

### A. Equity granted as remuneration

#### Deferred share rights granted as remuneration

The Group offered certain KMP Executives the opportunity to participate in the Group's deferred STI share rights plan in respect of performance and awarded KMP Executives deferred share rights that vest two-years after grant.

Details of the vesting profile of the deferred share rights held by KMP Executives during FY21 under the deferred STI plan are detailed below.

#### Deferred share rights

| KMP                                         | Grant date | Vesting date | Fair value per share at grant date | Held at 1 July 2020 | Granted       | Forfeited | Vested          | Held at 30 June 2021 |
|---------------------------------------------|------------|--------------|------------------------------------|---------------------|---------------|-----------|-----------------|----------------------|
| RK Stokes AO                                | 1 Jul 20   | 1 Jul 22     | \$16.08                            | -                   | 35,247        | -         | -               | 35,247               |
|                                             | 1 Jul 19   | 1 Jul 21     | \$17.37                            | 40,122              | -             | -         | -               | 40,122               |
|                                             | 1 Jul 18   | 1 Jul 20     | \$17.85                            | 38,215              | -             | -         | (38,215)        | -                    |
|                                             |            |              |                                    | <b>78,337</b>       | <b>35,247</b> | <b>-</b>  | <b>(38,215)</b> | <b>75,369</b>        |
| G Bhalla                                    | 1 Jul 20   | 1 Jul 22     | \$16.08                            | -                   | 9,308         | -         | -               | 9,308                |
|                                             |            |              |                                    | <b>-</b>            | <b>9,308</b>  | <b>-</b>  | <b>-</b>        | <b>9,308</b>         |
| JE Croome                                   | 1 Jul 20   | 1 Jul 22     | \$16.08                            | -                   | 25,993        | -         | -               | 25,993               |
|                                             | 1 Jul 19   | 1 Jul 21     | \$17.37                            | 23,434              | -             | -         | -               | 23,434               |
|                                             | 1 Jul 18   | 1 Jul 20     | \$17.85                            | 14,793              | -             | -         | (14,793)        | -                    |
|                                             |            |              |                                    | <b>38,227</b>       | <b>25,993</b> | <b>-</b>  | <b>(14,793)</b> | <b>49,427</b>        |
| JN Goth                                     | 1 Jul 20   | 1 Jul 22     | \$16.08                            | -                   | 3,533         | -         | -               | 3,533                |
|                                             |            |              |                                    | <b>-</b>            | <b>3,533</b>  | <b>-</b>  | <b>-</b>        | <b>3,533</b>         |
| RJ Richards                                 | 1 Jul 20   | 1 Jul 22     | \$16.08                            | -                   | 21,787        | -         | -               | 21,787               |
|                                             | 1 Jul 19   | 1 Jul 21     | \$17.37                            | 24,938              | -             | -         | -               | 24,938               |
|                                             | 10 Dec 18  | 1 Jul 20     | \$13.05                            | 30,000              | -             | -         | (30,000)        | -                    |
|                                             | 10 Dec 18  | 1 Jul 21     | \$12.40                            | 15,000              | -             | -         | -               | 15,000               |
|                                             | 1 Jul 18   | 1 Jul 20     | \$17.85                            | 28,577              | -             | -         | (28,577)        | -                    |
|                                             |            |              |                                    | <b>98,515</b>       | <b>21,787</b> | <b>-</b>  | <b>(58,577)</b> | <b>61,725</b>        |
| MJ Vitlich                                  | 1 Jul 20   | 1 Jul 22     | \$16.08                            | -                   | 10,458        | -         | -               | 10,458               |
|                                             | 1 Jul 19   | 1 Jul 21     | \$17.37                            | 13,258              | -             | -         | -               | 13,258               |
|                                             | 1 Jul 18   | 1 Jul 20     | \$17.85                            | 11,094              | -             | -         | (11,094)        | -                    |
|                                             |            |              |                                    | <b>24,352</b>       | <b>10,458</b> | <b>-</b>  | <b>(11,094)</b> | <b>23,716</b>        |
| <i>Deferred share rights (cash settled)</i> |            |              |                                    |                     |               |           |                 |                      |
| G Bhalla                                    | 1 Jul 19   | 1 Jul 21     | \$17.37                            | 9,387               | -             | -         | -               | 9,387                |
|                                             | 1 Jul 18   | 1 Jul 20     | \$17.85                            | 4,191               | -             | -         | (4,191)         | -                    |
|                                             |            |              |                                    | <b>13,578</b>       | <b>-</b>      | <b>-</b>  | <b>(4,191)</b>  | <b>9,387</b>         |

#### Performance rights granted as remuneration

The Group offered certain KMP Executives the opportunity to participate in the Group's LTI plan. Once granted, LTI awards only vest if the relative TSR performance hurdle over a three-year performance period is met.

A summary of the LTI plans is provided below.

| Grant | Gateway        | Performance measure | Performance Period        | Vest Date                                                | Vesting Outcome |
|-------|----------------|---------------------|---------------------------|----------------------------------------------------------|-----------------|
| FY18  | Not applicable | TSR                 | 1 Jul 2017 to 30 Jun 2020 | 2020 (3 years)<br><i>plus 1 year trading restriction</i> | 100%            |
| FY19  | Not applicable | TSR                 | 1 Jul 2018 to 30 Jun 2021 | 2021 (3 years)<br><i>plus 1 year trading restriction</i> | 60.4%           |
| FY20  | Not applicable | TSR                 | 1 Jul 2019 to 30 Jun 2022 | 2022 (3 years)<br><i>plus 1 year trading restriction</i> | In progress     |
| FY21  | Not applicable | TSR                 | 1 Jul 2020 to 30 Jun 2023 | 2023 (3 years)<br><i>plus 1 year trading restriction</i> | In progress     |

# Remuneration Report

LTI awards are structured as rights to acquire ordinary shares in the Company or a cash-settled equivalent at no cost to the executive. Details of the vesting profiles of the performance rights held by KMP Executives during FY21 under the LTI plan are provided below.

## Performance rights

| KMP                                      | Grant date | Expiry date | Fair value per right at grant date |               | Held at 1 July 2020 | Granted        | Forfeited | Vested           | Held at 30 June 2021 |
|------------------------------------------|------------|-------------|------------------------------------|---------------|---------------------|----------------|-----------|------------------|----------------------|
|                                          |            |             | TSR Component                      | EPS Component |                     |                |           |                  |                      |
| G Bhalla                                 | 1 Jul 20   | 1 Sep 23    | \$11.46                            | -             | -                   | 26,018         | -         | -                | 26,018               |
|                                          | 1 Jul 19   | 1 Sep 22    | \$10.53                            | \$5.81        | 19,292              | -              | -         | -                | 19,292               |
|                                          |            |             |                                    |               | <b>19,292</b>       | <b>26,018</b>  | -         | -                | <b>45,310</b>        |
| JE Croome                                | 1 Jul 20   | 1 Sep 23    | \$11.46                            | -             | -                   | 52,999         | -         | -                | 52,999               |
|                                          | 1 Jul 19   | 1 Sep 22    | \$10.53                            | \$5.81        | 39,300              | -              | -         | -                | 39,300               |
|                                          | 1 Jul 18   | 1 Sep 21    | \$10.27                            | -             | 31,874              | -              | -         | -                | 31,874               |
|                                          | 1 Jul 17   | 1 Sep 20    | \$5.95                             | -             | 47,479              | -              | -         | (47,479)         | -                    |
|                                          | 1 Jul 16   | 1 Sep 20    | \$3.50                             | \$4.98        | 120,087             | -              | -         | (120,087)        | -                    |
|                                          |            |             |                                    |               | <b>238,740</b>      | <b>52,999</b>  | -         | <b>(167,566)</b> | <b>124,173</b>       |
| JN Goth                                  | 1 Jul 20   | 1 Sep 23    | \$11.46                            | -             | -                   | 38,545         | -         | -                | 38,545               |
|                                          | 16 Mar 20  | 1 Sep 22    | \$4.34                             | \$3.70        | 14,290              | -              | -         | -                | 14,290               |
|                                          |            |             |                                    |               | <b>14,290</b>       | <b>38,545</b>  | -         | -                | <b>52,835</b>        |
| RJ Richards                              | 1 Jul 20   | 1 Sep 23    | \$11.46                            | -             | -                   | 57,818         | -         | -                | 57,818               |
|                                          | 1 Jul 19   | 1 Sep 22    | \$10.53                            | \$5.81        | 35,728              | -              | -         | -                | 35,728               |
|                                          | 1 Jul 18   | 1 Sep 21    | \$10.27                            | -             | 34,772              | -              | -         | -                | 34,772               |
|                                          | 1 Jul 17   | 1 Sep 20    | \$5.95                             | -             | 43,163              | -              | -         | (43,163)         | -                    |
|                                          | 1 Jul 16   | 1 Sep 20    | \$3.50                             | \$4.98        | 109,170             | -              | -         | (109,170)        | -                    |
|                                          |            |             |                                    |               | <b>222,833</b>      | <b>57,818</b>  | -         | <b>(152,333)</b> | <b>128,318</b>       |
| MJ Vitlich                               | 1 Jul 20   | 1 Sep 23    | \$11.46                            | -             | -                   | 43,363         | -         | -                | 43,363               |
|                                          | 1 Jul 19   | 1 Sep 22    | \$10.53                            | \$5.81        | 32,154              | -              | -         | -                | 32,154               |
|                                          | 1 Jul 18   | 1 Sep 21    | \$10.27                            | -             | 23,906              | -              | -         | -                | 23,906               |
|                                          | 1 Jul 17   | 1 Sep 20    | \$5.95                             | -             | 35,609              | -              | -         | (35,609)         | -                    |
|                                          |            |             |                                    |               | <b>59,515</b>       | <b>43,363</b>  | -         | <b>(35,609)</b>  | <b>99,423</b>        |
| <i>Performance rights (cash settled)</i> |            |             |                                    |               |                     |                |           |                  |                      |
| RK Stokes AO                             | 1 Jul 20   | 1 Sep 23    | \$11.46                            | -             | -                   | 102,787        | -         | -                | 102,787              |
|                                          | 1 Jul 19   | 1 Sep 22    | \$10.53                            | \$5.81        | 57,164              | -              | -         | -                | 57,164               |
|                                          | 1 Jul 18   | 1 Sep 21    | \$10.27                            | -             | 55,636              | -              | -         | -                | 55,636               |
|                                          | 1 Jul 17   | 1 Sep 20    | \$5.95                             | -             | 69,061              | -              | -         | (69,061)         | -                    |
|                                          | 1 Jul 16   | 1 Sep 20    | \$3.50                             | \$4.98        | 174,672             | -              | -         | (174,672)        | -                    |
|                                          |            |             |                                    |               | <b>356,533</b>      | <b>102,787</b> | -         | <b>(243,733)</b> | <b>215,587</b>       |
| G Bhalla                                 | 1 Jul 18   | 1 Sep 21    | \$10.27                            | -             | 14,024              | -              | -         | -                | 14,024               |
|                                          | 1 Jul 17   | 1 Sep 20    | \$7.62                             | -             | 18,991              | -              | -         | (18,991)         | -                    |
|                                          |            |             |                                    |               | <b>33,015</b>       | -              | -         | <b>(18,991)</b>  | <b>14,024</b>        |

No amount is paid or payable by KMP Executives in relation to these LTI grants.

Further details about the LTI plan are set out in Section 5B of the Remuneration Report.

### Equity granted as remuneration affecting future periods

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

| KMP          | 2022<br>\$ | 2023<br>\$ |
|--------------|------------|------------|
| RK Stokes AO | 1,018,885  | 634,446    |
| G Bhalla     | 284,600    | 162,010    |
| JE Croome    | 597,877    | 310,459    |
| JN Goth      | 304,578    | 233,105    |
| RJ Richards  | 638,512    | 387,102    |
| MJ Vitlich   | 422,176    | 244,965    |

### B. Shareholdings and transactions

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

#### Ordinary Shares

| KMP            | Held at<br>1 July 2020 | Purchases and<br>other changes<br>during the year | Shares granted<br>as remuneration<br>during the year | Rights converted<br>to shares during<br>the year | Held at<br>30 June 2021 |
|----------------|------------------------|---------------------------------------------------|------------------------------------------------------|--------------------------------------------------|-------------------------|
| KM Stokes AC   | 207,304,349            | -                                                 | -                                                    | -                                                | 207,304,349             |
| SA Chaplain AM | 31,339                 | 4,521                                             | -                                                    | -                                                | 35,860                  |
| TJ Davis       | 96,064                 | -                                                 | -                                                    | -                                                | 96,064                  |
| KL Farrar      | 5,566                  | 1,521                                             | -                                                    | -                                                | 7,087                   |
| CJ Mackay      | 10,000                 | 1,521                                             | -                                                    | -                                                | 11,521                  |
| DI McEvoy      | 31,339                 | 1,521                                             | -                                                    | -                                                | 32,860                  |
| WL Smith AO    | 38,760                 | 11,000                                            | -                                                    | -                                                | 49,760                  |
| RA Uechtritz   | 484,170                | 3,042                                             | -                                                    | -                                                | 487,212                 |

#### Executive KMP

|              |         |           |   |         |         |
|--------------|---------|-----------|---|---------|---------|
| RK Stokes AO | 423,397 | -         | - | 38,215  | 461,612 |
| G Bhalla     | -       | -         | - | -       | -       |
| JE Croome    | 96,344  | (101,107) | - | 182,359 | 177,596 |
| JN Goth      | -       | -         | - | -       | -       |
| RJ Richards  | 41,668  | (16,958)  | - | 210,910 | 235,620 |
| MJ Vitlich   | -       | -         | - | 46,703  | 46,703  |

### C. Hedging policy

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

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

### D. Clawback provision

The Company maintains a clawback provision within the variable pay plans. If in the Board's opinion, an employee:

- Acts fraudulently or dishonestly;
- Is in breach of their obligations to the Company or another Group company; or
- Received awards based on financial accounts which are later restated,

The Board may determine that unvested performance rights lapse and deem that any vested but unexercised performance rights also lapse.

# Remuneration Report

## 10. KMP related party transactions

### Key Management Personnel related party transactions

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

The Group transacted with entities of which the Directors of the Company, Mr K Stokes AC and Mr R Stokes AO are or were Directors or Officers (excluding equity accounted investees, which are disclosed in Note 32 of the Financial Statements) or otherwise had an interest.

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

|                                         | 2021<br>\$ | 2020<br>\$ |
|-----------------------------------------|------------|------------|
| <b>Revenue</b>                          |            |            |
| Equipment sales and hire                | 86,390     | 208,091    |
| <b>Total revenue</b>                    | 86,390     | 208,091    |
| <b>Expenses</b>                         |            |            |
| Lease of premises and related outgoings | 6,077,787  | 6,532,094  |
| Other net expense reimbursements        | (82,754)   | 6,852      |
| <b>Total expenses</b>                   | 5,995,033  | 6,538,946  |

During the year, the Group purchased a number of properties from a director related entity for \$9,472,352 having obtained supporting arms-length valuations. These properties had previously been leased from the entity.

### Loans and other transactions with Key Management Personnel

During the year ended 30 June 2021, Mr K Stokes AC and Mr R Stokes AO were directors on the Board of Seven West Media Limited, representing Seven Group Holdings Limited. They are paid director's fees by Seven West Media Limited for their services provided. Mr R Stokes AO and Mr R Richards receive director's fees for their services provided to Beach Energy Limited. Mr R Stokes AO also received director's fees for his services provided to Boral Limited. As the amounts are not paid or payable by Seven Group Holdings Limited, they have not been included in the remuneration disclosures.

|                                            | 2021<br>\$ | 2020<br>\$ |
|--------------------------------------------|------------|------------|
| <b>Other director fees (SGH Appointed)</b> |            |            |
| KM Stokes AC                               | 330,983    | 295,201    |
| RK Stokes AO                               | 420,959    | 264,376    |
| RJ Richards                                | 134,647    | 137,500    |

### Other transactions with the Group

A number of Directors hold directorships in other entities. Several of these entities transacted with the Group on terms and conditions not more favourable than those available on an arm's-length basis.

## 11. Remuneration in detail

### A. Remuneration earned by KMP Executives in FY21 (non-statutory disclosures)

The remuneration detailed in this table is aligned to the current performance periods and therefore is particularly useful in assessing pay received in the current year and its alignment with long-term performance. The values in this table will not reconcile with those provided in the statutory disclosures in table 11B. For example, table 11B discloses the value of equity grants which may or may not vest in future years, whereas this table discloses the value of grants from previous years which vested in FY21.

| KMP Executive                               | Year        | Fixed Rem<br>\$(a) | STI Cash<br>\$(b) | STI Vesting<br>\$(c) | LTI Vesting<br>\$(d) | Total<br>\$       |
|---------------------------------------------|-------------|--------------------|-------------------|----------------------|----------------------|-------------------|
| Ryan Stokes AO                              | 2021        | 1,600,000          | 725,401           | 678,698              | 3,287,624            | 6,291,723         |
| Managing Director & Chief Executive Officer | 2020        | 1,600,000          | 566,825           | -                    | 1,985,078            | 4,151,903         |
| G Bhalla                                    | 2021        | 540,000            | 187,864           | 74,432               | -                    | 802,296           |
| Chief People Officer                        | 2020        | 540,000            | 149,679           | -                    | -                    | 689,679           |
| JE Croome                                   | 2021        | 1,100,000          | 324,009           | 262,724              | 2,315,277            | 4,002,010         |
| Chief Executive, WesTrac                    | 2020        | 1,100,000          | 418,000           | -                    | 1,407,266            | 2,925,266         |
| JN Goth                                     | 2021        | 800,000            | 257,591           | -                    | -                    | 1,057,591         |
| Chief Operating Officer                     | 2020        | 236,364            | 56,817            | -                    | -                    | 293,181           |
| RJ Richards                                 | 2021        | 1,100,000          | 498,713           | 1,040,328            | 2,104,798            | 4,743,839         |
| Chief Financial Officer                     | 2020        | 1,000,000          | 350,372           | -                    | 1,279,325            | 2,629,697         |
| MJ Vitlich                                  | 2021        | 900,000            | 237,954           | 197,029              | -                    | 1,334,983         |
| Chief Executive, Coates                     | 2020        | 862,500            | 168,188           | -                    | -                    | 1,030,688         |
| <b>Total KMP Executives</b>                 | <b>2021</b> | <b>6,040,000</b>   | <b>2,231,532</b>  | <b>2,253,211</b>     | <b>7,707,699</b>     | <b>18,232,442</b> |
|                                             | 2020        | 5,338,864          | 1,709,881         | -                    | 4,671,669            | 11,720,414        |

(a) Fixed Rem is the contracted remuneration that includes base salary, superannuation and any amounts salary sacrificed.

(b) The STI Cash is for the year it has been earned, which is paid in the following year.

(c) STI Vesting is for the FY18 deferred STI share rights that vested on 1 July 2020 and were subject to an additional 12 month holding lock, with the value based on the closing share price on that day.

(d) LTI Vesting is for the FY17 LTI plan with performance based on the period 1 July 2016 to 30 June 2020, with vesting in August 2020. For Mr RK Stokes AO the LTI Vesting is based on the value for the cash settlement.

# Remuneration Report

## B. Remuneration earned by KMP Executives in FY21 (statutory disclosures)

The following table sets out the audited remuneration details for the KMP Executives for the year ended 30 June 2021, calculated in accordance with statutory accounting requirements.

| KMP Executive                  | Year        | Salary & Fees \$ | STI Cash Bonus \$ | Non-monetary benefits \$ <sup>(a)</sup> | Super-annuation benefits \$ | Termination Benefits \$ | Long service & annual leave \$ | Deferred Incentives \$ | Performance rights \$ | Deferred shares/ share rights \$ | Cash settled equity – employee expense \$ <sup>(b)</sup> | Cash settled equity – re-fair value \$ <sup>(c)</sup> | Total \$          | Performance related remuneration % |
|--------------------------------|-------------|------------------|-------------------|-----------------------------------------|-----------------------------|-------------------------|--------------------------------|------------------------|-----------------------|----------------------------------|----------------------------------------------------------|-------------------------------------------------------|-------------------|------------------------------------|
| RK Stokes AO                   | 2021        | 1,600,000        | 725,401           | 5,808                                   | -                           | -                       | 27,241                         | -                      | -                     | 663,014                          | 778,609                                                  | 991,276                                               | 4,791,349         | 66%                                |
| MD & CEO                       | 2020        | 1,589,499        | 566,825           | 8,631                                   | 10,501                      | -                       | 81,597                         | -                      | -                     | 648,548                          | 757,014                                                  | 449,023                                               | 4,111,998         | 59%                                |
| G Bhalla                       | 2021        | 515,000          | 187,864           | 5,808                                   | 25,000                      | -                       | 2,591                          | -                      | 172,081               | 166,855                          | 48,008                                                   | 225,582                                               | 1,348,789         | 59%                                |
| CPO                            | 2020        | 515,000          | 149,679           | 5,862                                   | 25,000                      | -                       | 11,906                         | -                      | 52,532                | 132,206                          | 97,753                                                   | 44,378                                                | 1,034,316         | 46%                                |
| JE Croome                      | 2021        | 1,078,306        | 324,009           | 3,851                                   | 21,694                      | -                       | (12,442)                       | -                      | 459,654               | 383,004                          | -                                                        | -                                                     | 2,258,076         | 52%                                |
| CE, WestTrac                   | 2020        | 1,078,997        | 418,000           | 10,742                                  | 21,003                      | -                       | 8,300                          | -                      | 471,229               | 362,998                          | -                                                        | -                                                     | 2,371,269         | 53%                                |
| JN Goth                        | 2021        | 778,306          | 257,591           | 5,808                                   | 21,694                      | -                       | 716                            | -                      | 194,367               | 110,214                          | -                                                        | -                                                     | 1,368,696         | 41%                                |
| COO                            | 2020        | 231,113          | 56,817            | 1,954                                   | 5,251                       | -                       | 17,746                         | -                      | 8,206                 | 8,117                            | -                                                        | -                                                     | 329,204           | 22%                                |
| RJ Richards                    | 2021        | 1,078,306        | 498,713           | 5,808                                   | 21,694                      | -                       | 120,015                        | -                      | 474,523               | 499,420                          | -                                                        | -                                                     | 2,698,479         | 55%                                |
| CFO                            | 2020        | 978,997          | 350,372           | 5,862                                   | 21,003                      | -                       | 68,255                         | -                      | 448,232               | 750,414                          | -                                                        | -                                                     | 2,623,135         | 59%                                |
| MJ Vitlich                     | 2021        | 878,306          | 237,954           | -                                       | 21,694                      | -                       | 28,331                         | -                      | 368,643               | 212,128                          | -                                                        | -                                                     | 1,747,056         | 47%                                |
| CE, Coates                     | 2020        | 841,497          | 168,188           | 3,520                                   | 21,003                      | -                       | (37,523)                       | -                      | 240,018               | 198,813                          | -                                                        | -                                                     | 1,435,516         | 42%                                |
| <b>Total Current KMP Execs</b> | <b>2021</b> | <b>5,928,224</b> | <b>2,231,532</b>  | <b>27,083</b>                           | <b>111,776</b>              | <b>-</b>                | <b>166,452</b>                 | <b>-</b>               | <b>1,669,268</b>      | <b>2,034,635</b>                 | <b>826,617</b>                                           | <b>1,216,857</b>                                      | <b>14,212,444</b> |                                    |
|                                | <b>2020</b> | <b>5,235,103</b> | <b>1,709,881</b>  | <b>36,571</b>                           | <b>103,761</b>              | <b>-</b>                | <b>150,281</b>                 | <b>-</b>               | <b>1,220,217</b>      | <b>2,101,096</b>                 | <b>854,767</b>                                           | <b>493,401</b>                                        | <b>11,905,438</b> |                                    |
| <b>Former KMP Execs</b>        |             |                  |                   |                                         |                             |                         |                                |                        |                       |                                  |                                                          |                                                       |                   |                                    |
| JD Fraser                      | 2021        | -                | -                 | -                                       | -                           | -                       | -                              | -                      | -                     | -                                | -                                                        | -                                                     | -                 | -                                  |
| CE, Coates                     | 2020        | 63,848           | -                 | 695                                     | 5,251                       | 500,000                 | 7,888                          | (171,111)              | (87,421)              | (44,990)                         | -                                                        | -                                                     | 274,160           | 0%                                 |
| BI McWilliam                   | 2021        | -                | -                 | -                                       | -                           | -                       | -                              | -                      | -                     | -                                | -                                                        | -                                                     | -                 | -                                  |
| Comm. Dir.                     | 2020        | 260,937          | -                 | -                                       | 15,672                      | -                       | 2,235                          | -                      | (27,277)              | 3,437                            | 42,041                                                   | 55,836                                                | 352,881           | 21%                                |
| <b>Total incl. former KMP</b>  | <b>2021</b> | <b>5,928,224</b> | <b>2,231,532</b>  | <b>27,083</b>                           | <b>111,776</b>              | <b>-</b>                | <b>166,452</b>                 | <b>-</b>               | <b>1,669,268</b>      | <b>2,034,635</b>                 | <b>826,617</b>                                           | <b>1,216,857</b>                                      | <b>14,212,444</b> |                                    |
|                                | <b>2020</b> | <b>5,559,888</b> | <b>1,709,881</b>  | <b>37,266</b>                           | <b>124,684</b>              | <b>500,000</b>          | <b>160,764</b>                 | <b>(171,111)</b>       | <b>1,105,519</b>      | <b>2,059,543</b>                 | <b>896,808</b>                                           | <b>549,237</b>                                        | <b>12,532,479</b> |                                    |

(a) Non-monetary benefits include costs relating to company events and the associated fringe benefits tax.

(b) These values have been calculated under accounting standards. The values may not represent the future value that the KMP Executive will receive, as the vesting of the performance rights and cash-settled equity is subject to the Company achieving pre-defined performance hurdles.

(c) Under AASB 2: Share Based Payments, the fair value of cash settled equity awards is re-measured each reporting period. The increase in the fair value of the cash settled equity awards is driven by the increase in share price since grant date. As a result, the fair value of the cash settled equity awards for Mr R Stokes AO increased by \$991,276. If the awards had been equity settled, the total remuneration reflected in the remuneration table would be \$3,800,073 compared to \$4,791,349.

### C. Remuneration for Non-Executive Directors in FY21

The following table sets out the audited remuneration details for the Non-Executive Directors for the year ended 30 June 2021, calculated in accordance with statutory accounting requirements.

| Non-Executive Director                            | Year        | Salary<br>& fees<br>\$ | Non-<br>monetary<br>benefits<br>\$ | Super-<br>annuation<br>benefits<br>\$ | Total<br>\$      |
|---------------------------------------------------|-------------|------------------------|------------------------------------|---------------------------------------|------------------|
| <b>KM Stokes AC</b><br>(Executive Chairman)       | <b>2021</b> | <b>363,306</b>         | <b>2,802</b>                       | <b>21,694</b>                         | <b>387,802</b>   |
|                                                   | 2020        | 363,997                | 797                                | 21,003                                | 385,797          |
| <b>SA Chaplain AM</b><br>(Non-Executive Director) | <b>2021</b> | <b>268,306</b>         | -                                  | <b>21,694</b>                         | <b>290,000</b>   |
|                                                   | 2020        | 268,997                | -                                  | 21,003                                | 290,000          |
| <b>TJ Davis</b><br>(Non-Executive Director)       | <b>2021</b> | <b>228,311</b>         | -                                  | <b>21,689</b>                         | <b>250,000</b>   |
|                                                   | 2020        | 228,997                | -                                  | 21,003                                | 250,000          |
| <b>KL Farrar</b><br>(Non-Executive Director)      | <b>2021</b> | <b>191,781</b>         | -                                  | <b>18,219</b>                         | <b>210,000</b>   |
|                                                   | 2020        | 187,353                | -                                  | 17,799                                | 205,152          |
| <b>CJ Mackay</b><br>(Non-Executive Director)      | <b>2021</b> | <b>210,000</b>         | -                                  | -                                     | <b>210,000</b>   |
|                                                   | 2020        | 200,890                | -                                  | 9,110                                 | 210,000          |
| <b>DI McEvoy</b><br>(Non-Executive Director)      | <b>2021</b> | <b>191,781</b>         | -                                  | <b>18,219</b>                         | <b>210,000</b>   |
|                                                   | 2020        | 191,781                | -                                  | 18,219                                | 210,000          |
| <b>WL Smith AO</b><br>(Non-Executive Director)    | <b>2021</b> | <b>191,781</b>         | -                                  | <b>18,219</b>                         | <b>210,000</b>   |
|                                                   | 2020        | 191,781                | -                                  | 18,219                                | 210,000          |
| <b>RA Uechtritz</b><br>(Non-Executive Director)   | <b>2021</b> | <b>191,781</b>         | -                                  | <b>18,219</b>                         | <b>210,000</b>   |
|                                                   | 2020        | 191,781                | -                                  | 18,219                                | 210,000          |
| <b>Total Non-Executive Directors</b>              | <b>2021</b> | <b>1,837,047</b>       | <b>2,802</b>                       | <b>137,953</b>                        | <b>1,977,802</b> |
|                                                   | 2020        | 1,825,577              | 797                                | 144,575                               | 1,970,949        |

End of audited Remuneration Report

## Indemnity

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

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

Subsequent to year end, the Company has provided a limited indemnity in relation to potential claims on Directors of acquired subsidiaries prior to them becoming part of the Group. This obligation has been partially insured.

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

## Insurance Premiums

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

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

## Non-Audit Services

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

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with the advice received from the Audit & Risk Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 81.

Amounts paid or payable by the Group to the auditor, Deloitte Touche Tohmatsu, for non-audit services provided during the year are set out in Note 34 of the Financial Report.

## Rounding Off

The Company is of a kind referred to in ASIC Instrument 2016/191 and in accordance with that Instrument, amounts in the consolidated financial statements and Directors' Report have been rounded off to the nearest whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars.

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



**KM Stokes AC**  
Executive Chairman



**SA Chaplain AM**  
Chair of the Audit & Risk Committee  
Sydney  
25 August 2021

# Auditor's Independence Declaration



Deloitte Touche Tohmatsu  
A.B.N. 74 490 121 060

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Sydney NSW 1220 Australia

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25 August 2021

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

Dear Board Members

## Auditor's Independence Declaration to 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 audit of the financial statements of Seven Group Holdings Limited for the year ended 30 June 2021, 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 audit;  
and
- (ii) Any applicable code of professional conduct in relation to the audit.

Yours faithfully

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

*J L Gorton*

J L Gorton  
Partner  
Chartered Accountant

# Financial Report

|                                                                                |           |                                         |            |
|--------------------------------------------------------------------------------|-----------|-----------------------------------------|------------|
| <b>Consolidated Statement of Profit or Loss and Other Comprehensive Income</b> | <b>83</b> | <b>FINANCIAL ASSETS AND LIABILITIES</b> |            |
| <b>Consolidated Statement of Financial Position</b>                            | <b>84</b> | 22 Financial risk management            | 120        |
| <b>Consolidated Statement of Changes in Equity</b>                             | <b>85</b> | 23 Other financial assets               | 128        |
| <b>Consolidated Cash Flow Statement</b>                                        | <b>86</b> | 24 Derivative financial instruments     | 130        |
| <b>Notes to the Financial Statements</b>                                       | <b>87</b> | <b>CAPITAL STRUCTURE</b>                |            |
| <b>BASIS OF PREPARATION</b>                                                    |           | 25 Capital                              | 132        |
| 1 Basis of preparation                                                         | 87        | 26 Reserves                             | 133        |
| <b>RESULTS FOR THE YEAR</b>                                                    |           | 27 Dividends                            | 134        |
| 2 Operating segments                                                           | 90        | <b>UNRECOGNISED ITEMS</b>               |            |
| 3 Significant items                                                            | 93        | 28 Contingent liabilities               | 135        |
| 4 Revenue and expenditure                                                      | 94        | 29 Commitments                          | 136        |
| 5 Net finance expense                                                          | 95        | 30 Events subsequent to balance date    | 137        |
| 6 Income tax                                                                   | 96        | <b>GROUP STRUCTURE</b>                  |            |
| 7 Earnings per share                                                           | 98        | 31 Parent entity disclosures            | 138        |
| <b>OPERATING ASSETS AND LIABILITIES</b>                                        |           | 32 Controlled entities                  | 139        |
| 8 Trade and other receivables                                                  | 99        | <b>OTHER</b>                            |            |
| 9 Trade and other payables                                                     | 100       | 33 Related party disclosures            | 143        |
| 10 Inventories                                                                 | 100       | 34 Auditor's remuneration               | 144        |
| 11 Investments accounted for using the equity method                           | 101       | <b>Directors' Declaration</b>           | <b>145</b> |
| 12 Right of use assets and Lease liabilities                                   | 105       | <b>Independent Auditor's Report</b>     | <b>146</b> |
| 13 Property, plant and equipment                                               | 107       | <b>Shareholder Information</b>          | <b>151</b> |
| 14 Producing and development assets                                            | 108       | <b>Investor Information</b>             | <b>152</b> |
| 15 Exploration and evaluation assets                                           | 110       | <b>Company Information</b>              | <b>152</b> |
| 16 Intangible assets                                                           | 112       | <b>Corporate Directory</b>              | <b>152</b> |
| 17 Provisions                                                                  | 115       |                                         |            |
| 18 Employee benefits                                                           | 116       |                                         |            |
| <b>CASH MANAGEMENT</b>                                                         |           |                                         |            |
| 19 Cash and cash equivalents                                                   | 117       |                                         |            |
| 20 Notes to the cash flow statement                                            | 117       |                                         |            |
| 21 Interest bearing loans and borrowings                                       | 117       |                                         |            |

# Primary Statements

## Consolidated Statement of Profit or Loss and Other Comprehensive Income For the year ended 30 June 2021

|                                                                                               | Note | 2021<br>\$m    | Restated*<br>2020<br>\$m |
|-----------------------------------------------------------------------------------------------|------|----------------|--------------------------|
| Revenue                                                                                       | 4    | 4,838.7        | 4,562.6                  |
| <b>Other income</b>                                                                           |      |                |                          |
| Dividend income                                                                               |      | 5.1            | 8.7                      |
| Other                                                                                         |      | 41.9           | 54.0                     |
| <b>Total other income</b>                                                                     |      | <b>47.0</b>    | <b>62.7</b>              |
| Share of results from equity accounted investees                                              | 11   | 239.4          | 79.6                     |
| Impairment reversal/(impairment) of equity accounted investee                                 | 3    | 92.9           | (161.8)                  |
| Impairment of producing and development asset                                                 | 3    | —              | (116.7)                  |
| Expenses excluding depreciation and amortisation                                              | 4    | (4,032.1)      | (3,781.9)                |
| <b>Profit before depreciation, amortisation, net finance expense and income tax</b>           |      | <b>1,185.9</b> | <b>644.5</b>             |
| Depreciation and amortisation                                                                 |      | (260.3)        | (263.3)                  |
| <b>Profit before net finance expense and income tax</b>                                       |      | <b>925.6</b>   | <b>381.2</b>             |
| Finance income                                                                                | 5    | 0.7            | 1.3                      |
| Finance expense                                                                               | 5    | (163.6)        | (151.4)                  |
| <b>Net finance expense</b>                                                                    |      | <b>(162.9)</b> | <b>(150.1)</b>           |
| <b>Profit before income tax</b>                                                               |      | <b>762.7</b>   | <b>231.1</b>             |
| Income tax expense                                                                            | 6    | (128.1)        | (113.6)                  |
| <b>Profit for the year</b>                                                                    |      | <b>634.6</b>   | <b>117.5</b>             |
| <b>Profit for the year attributable to:</b>                                                   |      |                |                          |
| Equity holders of the Company                                                                 |      | 631.4          | 115.3                    |
| Non-controlling interest                                                                      |      | 3.2            | 2.2                      |
| <b>Profit for the year</b>                                                                    |      | <b>634.6</b>   | <b>117.5</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 | 26   | 311.7          | 30.6                     |
| Income tax relating to items that will not be reclassified subsequently to profit or loss     | 26   | (93.2)         | (5.6)                    |
| <b>Total items that will not be reclassified subsequently to profit or loss</b>               |      | <b>218.5</b>   | <b>25.0</b>              |
| <b>Items that may be reclassified subsequently to profit or loss</b>                          |      |                |                          |
| Cash flow hedges: effective portion of changes in fair value                                  | 26   | 7.6            | 3.0                      |
| Foreign currency differences for foreign operations                                           |      | (28.4)         | (0.2)                    |
| Income tax relating to items that may be reclassified subsequently to profit or loss          | 26   | (6.3)          | (0.9)                    |
| <b>Total items that may be reclassified subsequently to profit or loss</b>                    |      | <b>(27.1)</b>  | <b>1.9</b>               |
| <b>Total comprehensive income for the year</b>                                                |      | <b>826.0</b>   | <b>144.4</b>             |
| <b>Total comprehensive income for the year attributable to:</b>                               |      |                |                          |
| Equity holders of the Company                                                                 |      | 822.8          | 142.2                    |
| Non-controlling interest                                                                      |      | 3.2            | 2.2                      |
| <b>Total comprehensive income for the year</b>                                                |      | <b>826.0</b>   | <b>144.4</b>             |
| <b>Statutory earnings per share (EPS)</b>                                                     |      | <b>\$</b>      | <b>\$</b>                |
| Basic earnings per share                                                                      | 7    | 1.84           | 0.34                     |
| Diluted earnings per share                                                                    | 7    | 1.83           | 0.34                     |

^ Amounts have been restated. Refer to Note 1 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.

# Primary Statements

## Consolidated Statement of Financial Position As at 30 June 2021

|                                                                   | Note | 2021<br>\$m    | Restated <sup>^</sup><br>2020<br>\$m |
|-------------------------------------------------------------------|------|----------------|--------------------------------------|
| <b>Current assets</b>                                             |      |                |                                      |
| Cash and cash equivalents                                         | 19   | 160.9          | 119.8                                |
| Trade and other receivables                                       | 8    | 832.3          | 775.4                                |
| Inventories                                                       | 10   | 804.2          | 836.8                                |
| Other current assets                                              |      | 39.6           | 60.2                                 |
| Derivative financial instruments                                  | 24   | 0.7            | 2.9                                  |
| Assets held for sale                                              |      | 5.0            | 4.7                                  |
| <b>Total current assets</b>                                       |      | <b>1,842.7</b> | <b>1,799.8</b>                       |
| <b>Non-current assets</b>                                         |      |                |                                      |
| Investments accounted for using the equity method                 | 11   | 2,787.4        | 999.5                                |
| Other financial assets                                            | 23   | 436.5          | 853.6                                |
| Right of use assets                                               | 12   | 595.0          | 636.6                                |
| Property, plant and equipment                                     | 13   | 967.2          | 981.9                                |
| Producing and development assets                                  | 14   | 112.2          | 112.2                                |
| Exploration and evaluation assets                                 | 15   | 239.0          | 235.7                                |
| Intangible assets                                                 | 16   | 1,627.4        | 1,623.3                              |
| Derivative financial instruments                                  | 24   | 147.9          | 205.2                                |
| <b>Total non-current assets</b>                                   |      | <b>6,912.6</b> | <b>5,648.0</b>                       |
| <b>Total assets</b>                                               |      | <b>8,755.3</b> | <b>7,447.8</b>                       |
| <b>Current liabilities</b>                                        |      |                |                                      |
| Trade and other payables                                          | 9    | 585.3          | 448.7                                |
| Lease liabilities                                                 | 12   | 49.4           | 52.8                                 |
| Interest bearing loans and borrowings                             | 21   | 804.0          | 57.5                                 |
| Deferred income                                                   |      | 159.9          | 216.0                                |
| Current tax liability                                             |      | 29.9           | 23.2                                 |
| Provisions                                                        | 17   | 30.1           | 30.8                                 |
| Employee benefits                                                 | 18   | 89.7           | 86.7                                 |
| Derivative financial instruments                                  | 24   | 15.6           | 1.2                                  |
| <b>Total current liabilities</b>                                  |      | <b>1,763.9</b> | <b>916.9</b>                         |
| <b>Non-current liabilities</b>                                    |      |                |                                      |
| Other payables                                                    |      | 0.8            | 0.5                                  |
| Lease liabilities                                                 | 12   | 785.7          | 810.8                                |
| Interest bearing loans and borrowings                             | 21   | 1,628.4        | 2,497.2                              |
| Deferred tax liabilities                                          | 6    | 383.9          | 273.2                                |
| Provisions                                                        | 17   | 70.1           | 66.2                                 |
| Employee benefits                                                 | 18   | 6.7            | 7.2                                  |
| Derivative financial instruments                                  | 24   | 50.2           | 10.4                                 |
| <b>Total non-current liabilities</b>                              |      | <b>2,925.8</b> | <b>3,665.5</b>                       |
| <b>Total liabilities</b>                                          |      | <b>4,689.7</b> | <b>4,582.4</b>                       |
| <b>Net assets</b>                                                 |      | <b>4,065.6</b> | <b>2,865.4</b>                       |
| <b>Equity</b>                                                     |      |                |                                      |
| Contributed equity                                                | 25   | 3,405.2        | 2,878.4                              |
| Reserves                                                          | 26   | (599.8)        | (788.6)                              |
| Retained earnings                                                 |      | 1,243.5        | 761.4                                |
| <b>Total equity attributable to equity holders of the Company</b> |      | <b>4,048.9</b> | <b>2,851.2</b>                       |
| Non-controlling interest                                          |      | 16.7           | 14.2                                 |
| <b>Total equity</b>                                               |      | <b>4,065.6</b> | <b>2,865.4</b>                       |

<sup>^</sup> Amounts have been restated. 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

For the year ended 30 June 2021

| YEAR ENDED 30 JUNE 2021                                                         | Note     | Contri-<br>buted<br>equity<br>\$m | Reserves<br>\$m | Retained<br>earnings<br>\$m | Total<br>\$m   | Non-<br>controlling<br>interest<br>\$m | Total<br>equity<br>\$m |
|---------------------------------------------------------------------------------|----------|-----------------------------------|-----------------|-----------------------------|----------------|----------------------------------------|------------------------|
| <b>Balance as at 1 July 2020 (restated<sup>^</sup>)</b>                         | <b>1</b> | <b>2,878.4</b>                    | <b>(788.6)</b>  | <b>761.4</b>                | <b>2,851.2</b> | <b>14.2</b>                            | <b>2,865.4</b>         |
| Profit for the year                                                             |          | –                                 | –               | 631.4                       | 631.4          | 3.2                                    | 634.6                  |
| Net change in fair value of financial assets measured at fair value through OCI | 26       | –                                 | 311.7           | –                           | 311.7          | –                                      | 311.7                  |
| Cash flow hedges: effective portion of changes in fair value                    | 26       | –                                 | 7.6             | –                           | 7.6            | –                                      | 7.6                    |
| Foreign currency differences for foreign operations                             | 26       | –                                 | (28.4)          | –                           | (28.4)         | –                                      | (28.4)                 |
| Income tax on items of OCI                                                      | 26       | –                                 | (99.5)          | –                           | (99.5)         | –                                      | (99.5)                 |
| <b>Total comprehensive income for the year</b>                                  |          | <b>–</b>                          | <b>191.4</b>    | <b>631.4</b>                | <b>822.8</b>   | <b>3.2</b>                             | <b>826.0</b>           |
| <b>Transactions with owners recognised directly in equity</b>                   |          |                                   |                 |                             |                |                                        |                        |
| Ordinary dividends paid                                                         | 27       | –                                 | –               | (149.3)                     | (149.3)        | (0.7)                                  | (150.0)                |
| Shares issued                                                                   | 25       | 523.5                             | –               | –                           | 523.5          | –                                      | 523.5                  |
| Treasury shares acquired                                                        | 25       | (8.7)                             | –               | –                           | (8.7)          | –                                      | (8.7)                  |
| Shares vested and transferred to employees                                      | 25       | 12.0                              | (12.0)          | –                           | –              | –                                      | –                      |
| Share based payments                                                            |          | –                                 | 9.4             | –                           | 9.4            | –                                      | 9.4                    |
| <b>Total contributions by and distributions to owners</b>                       |          | <b>526.8</b>                      | <b>(2.6)</b>    | <b>(149.3)</b>              | <b>374.9</b>   | <b>(0.7)</b>                           | <b>374.2</b>           |
| <b>Total movement in equity for the year</b>                                    |          | <b>526.8</b>                      | <b>188.8</b>    | <b>482.1</b>                | <b>1,197.7</b> | <b>2.5</b>                             | <b>1,200.2</b>         |
| <b>Balance as at 30 June 2021</b>                                               |          | <b>3,405.2</b>                    | <b>(599.8)</b>  | <b>1,243.5</b>              | <b>4,048.9</b> | <b>16.7</b>                            | <b>4,065.6</b>         |

### YEAR ENDED 30 JUNE 2020

|                                                                                 |    |                |                |                |                |              |                |
|---------------------------------------------------------------------------------|----|----------------|----------------|----------------|----------------|--------------|----------------|
| <b>Balance as at 1 July 2019 (reported)</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> |
| Impact of transition to new accounting standard                                 | 1  | –              | –              | (1.1)          | (1.1)          | –            | (1.1)          |
| <b>Balance as at 1 July 2019 (restated<sup>^</sup>)</b>                         |    | <b>2,883.4</b> | <b>(816.1)</b> | <b>788.6</b>   | <b>2,855.9</b> | <b>12.3</b>  | <b>2,868.2</b> |
| Profit for the year (restated <sup>^</sup> )                                    |    | –              | –              | 115.3          | 115.3          | 2.2          | 117.5          |
| Net change in fair value of financial assets measured at fair value through OCI | 26 | –              | 30.6           | –              | 30.6           | –            | 30.6           |
| Cash flow hedges: effective portion of changes in fair value                    | 26 | –              | 3.0            | –              | 3.0            | –            | 3.0            |
| Foreign currency differences for foreign operations                             | 26 | –              | (0.2)          | –              | (0.2)          | –            | (0.2)          |
| Income tax on items of OCI                                                      | 26 | –              | (6.5)          | –              | (6.5)          | –            | (6.5)          |
| <b>Total comprehensive income for the year</b>                                  |    | <b>–</b>       | <b>26.9</b>    | <b>115.3</b>   | <b>142.2</b>   | <b>2.2</b>   | <b>144.4</b>   |
| <b>Transactions with owners recognised directly in equity</b>                   |    |                |                |                |                |              |                |
| Ordinary dividends paid                                                         | 27 | –              | –              | (142.5)        | (142.5)        | (0.3)        | (142.8)        |
| Treasury shares acquired                                                        | 25 | (9.5)          | –              | –              | (9.5)          | –            | (9.5)          |
| Shares vested and transferred to employees                                      | 25 | 4.5            | (4.5)          | –              | –              | –            | –              |
| Share based payments                                                            |    | –              | 5.1            | –              | 5.1            | –            | 5.1            |
| <b>Total contributions by and distributions to owners</b>                       |    | <b>(5.0)</b>   | <b>0.6</b>     | <b>(142.5)</b> | <b>(146.9)</b> | <b>(0.3)</b> | <b>(147.2)</b> |
| <b>Total movement in equity for the year</b>                                    |    | <b>(5.0)</b>   | <b>27.5</b>    | <b>(27.2)</b>  | <b>(4.7)</b>   | <b>1.9</b>   | <b>(2.8)</b>   |
| <b>Balance as at 30 June 2020</b>                                               |    | <b>2,878.4</b> | <b>(788.6)</b> | <b>761.4</b>   | <b>2,851.2</b> | <b>14.2</b>  | <b>2,865.4</b> |

<sup>^</sup> Amounts have been restated. Refer to Note 1 for further detail.

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

# Primary Statements

## Consolidated Cash Flow Statement

For the year ended 30 June 2021

|                                                                      | Note | 2021<br>\$m    | Restated*<br>2020<br>\$m |
|----------------------------------------------------------------------|------|----------------|--------------------------|
| <b>Cash flows related to operating activities</b>                    |      |                |                          |
| Receipts from customers                                              |      | 5,196.9        | 4,898.7                  |
| Payments to suppliers and employees                                  |      | (4,343.4)      | (4,135.1)                |
| Dividends and distributions received from equity accounted investees |      | 13.0           | 13.8                     |
| Other dividends received                                             |      | 11.1           | 38.6                     |
| Interest and other items of a similar nature received                |      | 0.6            | 0.5                      |
| Interest and other costs of finance paid                             |      | (144.1)        | (134.9)                  |
| Income taxes paid                                                    |      | (111.7)        | (143.4)                  |
| <b>Net operating cash flows</b>                                      | 20   | <b>622.4</b>   | <b>538.2</b>             |
| <b>Cash flows related to investing activities</b>                    |      |                |                          |
| Payments for purchases of property, plant and equipment              |      | (185.8)        | (276.3)                  |
| Proceeds from sale of property, plant and equipment                  |      | 29.4           | 34.4                     |
| Payments for purchase of intangible assets                           |      | (13.0)         | (5.3)                    |
| Proceeds from sale of land and buildings                             |      | –              | 0.6                      |
| Payment for production, development and exploration expenditure      |      | (3.3)          | (9.7)                    |
| Payments for other investments                                       |      | (6.7)          | (435.2)                  |
| Proceeds from sale of other financial assets                         |      | 11.1           | 6.3                      |
| Consideration for business combinations, net of cash acquired        |      | –              | (0.2)                    |
| Acquisition of equity accounted investees                            |      | (422.1)        | –                        |
| Acquisition of controlled entities                                   |      | (0.8)          | –                        |
| Loans and deposits received                                          |      | –              | 7.2                      |
| <b>Net investing cash flows</b>                                      |      | <b>(591.2)</b> | <b>(678.2)</b>           |
| <b>Cash flows related to financing activities</b>                    |      |                |                          |
| Proceeds from issue of shares                                        |      | 524.1          | –                        |
| Ordinary dividends paid                                              | 27   | (149.3)        | (142.5)                  |
| Dividend paid to non-controlling interests                           |      | (0.7)          | (0.3)                    |
| Proceeds from borrowings                                             |      | 1,820.0        | 1,317.6                  |
| Repayment of borrowings                                              |      | (2,116.9)      | (933.6)                  |
| Repayment of lease liabilities                                       |      | (56.3)         | (54.1)                   |
| Purchase of treasury shares                                          |      | (8.7)          | (9.5)                    |
| <b>Net financing cash flows</b>                                      |      | <b>12.2</b>    | <b>177.6</b>             |
| <b>Net increase in cash and cash equivalents</b>                     |      | <b>43.4</b>    | <b>37.6</b>              |
| Cash and cash equivalents at beginning of the year                   |      | 119.8          | 78.1                     |
| Effect of exchange rate changes on cash and cash equivalents         |      | (2.3)          | 4.1                      |
| <b>Cash and cash equivalents at end of the year</b>                  | 19   | <b>160.9</b>   | <b>119.8</b>             |

^ Amounts have been restated. Refer to Note 1 for further detail.

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

# Basis of Preparation

## 1. Basis of Preparation

Seven Group Holdings Limited (the Company) is a for profit company limited by shares and the shares are publicly traded on the Australian Securities Exchange (ASX). The Company is domiciled in Australia. These consolidated financial statements cover the year ended 30 June 2021 and comprise the Company and its subsidiaries (together referred to as the Group), and the Group's interest in equity accounted investees.

The financial report was authorised for issue in accordance with a resolution of the Directors on 25 August 2021.

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

The financial report is prepared on the historical cost basis except for the following items:

- 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 consolidated financial statements have been rounded off to the nearest whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars.

Certain comparative amounts in this financial report have been reclassified to conform to the current period's presentation.

In particular:

- Management have reassessed the methodology associated with the classification of rebates received from suppliers in operating cash flows. This has resulted in a reclassification of \$372.1 million from Receipts from customers to Payments to suppliers to align with current year presentation. The net impact of this adjustment is nil.
- Management have reassessed the methodology associated with the balance sheet classification of the fair value component of cross currency swaps related to fixed term US dollar notes. The fair value adjustment of \$70.6 million has been reclassified from Derivative Financial Instruments to Interest Bearing Loans and Borrowings. The net impact of this adjustment is nil on net assets.
- the Group has made a change in accounting policy for costs of cloud computing configuration and customisation following the IFRS Interpretations Committee's (IFRIC) decision in April 2021 and comparative information has been restated. See Note 1(G)(i) for further detail.

### (A) Accounting policies

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

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

### (B) Dividend income

Dividend income is recognised net of any related taxes.

Dividend income is recognised when the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

### (C) Principles of consolidation

#### Subsidiaries

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

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

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

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

### (D) 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 and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are incorporated and in any future periods affected.

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

# Basis of Preparation

## 1. Basis of Preparation (continued)

### (E) Foreign currency translation

#### Functional and presentation currency

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

#### Transactions

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

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets are included in the fair value through other comprehensive income reserve in equity.

#### Foreign group entities

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

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

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

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

### (F) Goods and services tax (GST)

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

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

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

### (G) New Accounting Standards or Policies

#### (i) Cloud computing arrangements

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision for configuration and customisation costs incurred related to a Software as a Service (SaaS) arrangement.

The Group has amended its accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements. The nature and effect of the amendments as a result of changing this policy are described below.

SaaS arrangements are arrangements in which the Group does not currently control the underlying software used in the arrangement. Where costs incurred to configure or customise SaaS arrangements result in the creation of a resource which is identifiable, and where the company has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits, such costs are recognised as a separate intangible software asset and amortised over the useful life of the software on a straight-line basis. The amortisation is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates. Where costs incurred to configure or customise do not result in the recognition of an intangible software asset, then those costs that provide the Group with a distinct service (in addition to the SaaS access) are now recognised as expenses when the supplier provides the services. When such costs incurred do not provide a distinct service, the costs are now recognised as expenses over the duration of the SaaS contract. Previously some costs had been capitalised and amortised over the SaaS asset's useful life.

As a result, the Group has amended its accounting policy in relation to capitalisation of cloud computing software. The amendment requires such costs to be expensed to the profit or loss as incurred, rather than capitalised as an Intangible asset.

The change in policy has been applied retrospectively and comparatives restated. The impact of the adoption of the Interpretation on the Group's consolidated financial statements is described on the following page.

### Prior period re-classifications

The Group applied the Interpretation with effect from 1 July 2019, with the following comparatives restated:

- reduction in Opening retained earnings as at 1 July 2019 of \$1.1 million to reflect expensing of capitalised cloud computing costs capitalised in prior years, net of amortisation and tax impact;
- reduction in Intangibles as at 30 June 2020, reflecting the write-back of capitalised costs of \$1.4 million. This impact is offset by an increase in Other expenses of \$1.4 million and reduction in amortisation of intangibles of \$1.4 million;
- restatement of Share of results from equity accounted investees of \$1.0 million, offset by \$0.5 million in Impairment of equity accounted investee. The net adjustment impacts the balance sheet's value of Investments accounted for using the equity method as a reduction of \$0.5 million;
- restatement of Opening deferred tax liability as at 1 July 2019 of \$0.5 million; and
- reduction in Investing cash flows to reduce Payments for purchase of intangible assets by \$1.4 million and increase Operating cash flow for Payments to suppliers.

### Current year impact

As at 30 June 2021, the impact of this change was a decrease in Intangible assets of \$0.7 million, decrease in equity accounted investments of \$0.9 million and a decrease in amortisation expense of \$0.8 million. These decreases were offset by increases in operating expenses of \$0.8 million and share of results from equity accounted investees of \$1.7 million. Due to the valuation of the Group's equity accounted investments there was a corresponding decrease in the impairment of equity accounted investee by \$0.8 million. The net impact on Group's profit or loss for the year was \$0.9 million.

Capitalised costs were being amortised over the useful life of the software, however, future cost will be expensed as incurred impacting future operating expenses and amortisation.

The Interpretation impacts operating and investing cash flow as costs previously capitalised and treated as Investing cash outflows are now included within Operating cash flows.

The Group's Operating Segment assets and liabilities have been restated to reflect this impact.

### (ii) Amendment to Australian Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period.

Information on relevant new standards is provided below, with no material impact on the Group's consolidated financial statements. Those which may be relevant to the Group are set out below:

### AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business

The amendments update the definition of a business in AASB 3: Business Combinations to help determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

### AASB 2019-3 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform

The amendments to AASB 9 Financial Instruments were issued in response to the effects of Interbank Offered Rates reform on financial reporting and provide mandatory temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate.

### AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material

This Standard amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

### The Conceptual Framework for Financial Reporting

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Accounting Standards Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities, and clarifies some important concepts.

### (iii) Amendments to Australian Accounting Standards effective for future periods

A number of new standards, amendments to standards and interpretations are effective for future reporting periods. These have not been applied in preparing this financial report. The Group does not plan to adopt these standards early.

Those which may be relevant to the Group are set out below:

- Interest rate benchmark reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16;
- Reference to the Conceptual Framework – Amendments to IFRS 3;
- Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16;
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37;
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28;
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1; and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12.

# Results for the Year

## 2. Operating segments

### Recognition and measurement

#### Identification of reportable segments

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

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

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

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, producing and development assets, exploration and evaluation assets and intangible assets other than goodwill.

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

|                          |                                                                                                                                                                                                                                                                                                                             |
|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>WesTrac</i>           | WesTrac is the authorised Caterpillar dealer in Western Australia, New South Wales and the Australian Capital Territory, providing heavy equipment sales and support to customers.                                                                                                                                          |
| <i>Coates</i>            | Coates 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>Boral</i>             | Boral relates to the Group's equity accounted investment in Boral Limited (Boral), a multinational building products and construction materials group.                                                                                                                                                                      |
| <i>Energy</i>            | Energy relates to the Group's joint operation in the Bivins Ranch basin 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>Media investments</i> | Media investments relate to investments in listed and unlisted media organisations, including Seven West Media Limited and private equity investments in China.                                                                                                                                                             |
| <i>Other investments</i> | Other investments incorporates listed investments, property and AllightSykes. AllightSykes is a market leader in designing, manufacturing, assembly, distribution and support of mobile lighting towers and Sykes pumps, distribution of FG Wilson generators and dewatering equipment and distribution of Perkins engines. |

During the year, the Group has reviewed the composition of reportable segments. The immaterial AllightSykes segment has been reclassified to the Other Investments segment to align with current year presentation and the comparative restated.

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.

#### COVID-19

For the impact of COVID-19 on reportable segments refer to the Operating and Financial Review.

|                                                                                                                      | WestTrac <sup>(a)</sup> |                                      |  | Coates <sup>(a)(b)</sup> |                                      |  | Boral <sup>(b)</sup> |             |                | Energy         |                                      |              | Media investments <sup>(c)</sup> |                                      |                  | Other investments |                                      |                  | Total            |                                      |
|----------------------------------------------------------------------------------------------------------------------|-------------------------|--------------------------------------|--|--------------------------|--------------------------------------|--|----------------------|-------------|----------------|----------------|--------------------------------------|--------------|----------------------------------|--------------------------------------|------------------|-------------------|--------------------------------------|------------------|------------------|--------------------------------------|
|                                                                                                                      | 2021<br>\$m             | Restated <sup>*</sup><br>2020<br>\$m |  | 2021<br>\$m              | Restated <sup>*</sup><br>2020<br>\$m |  | 2021<br>\$m          | 2020<br>\$m |                | 2021<br>\$m    | Restated <sup>*</sup><br>2020<br>\$m |              | 2021<br>\$m                      | Restated <sup>*</sup><br>2020<br>\$m |                  | 2021<br>\$m       | Restated <sup>*</sup><br>2020<br>\$m |                  | 2021<br>\$m      | Restated <sup>*</sup><br>2020<br>\$m |
|                                                                                                                      |                         |                                      |  |                          |                                      |  |                      |             |                |                |                                      |              |                                  |                                      |                  |                   |                                      |                  |                  |                                      |
| <b>Segment revenue</b>                                                                                               | 1,448.3                 | 1,098.7                              |  | 0.4                      | 0.7                                  |  | -                    | -           | -              | -              | -                                    | -            | -                                | -                                    | -                | 56.8              | 65.3                                 | 1,505.5          | 1,164.7          |                                      |
| Product sales                                                                                                        | 2,345.5                 | 2,378.6                              |  | 10.6                     | 10.2                                 |  | -                    | -           | -              | -              | -                                    | -            | -                                | -                                    | -                | 21.1              | 23.2                                 | 2,377.2          | 2,412.0          |                                      |
| Product support                                                                                                      | 15.8                    | 14.5                                 |  | 934.6                    | 963.8                                |  | -                    | -           | -              | -              | -                                    | -            | -                                | -                                    | -                | 0.1               | 0.5                                  | 950.5            | 978.8            |                                      |
| Hire of equipment                                                                                                    | -                       | -                                    |  | -                        | -                                    |  | -                    | -           | -              | -              | -                                    | -            | -                                | -                                    | -                | -                 | -                                    | 2.8              | 3.2              |                                      |
| Oil, gas and condensate sales                                                                                        | -                       | -                                    |  | -                        | -                                    |  | -                    | -           | -              | -              | -                                    | -            | -                                | -                                    | -                | -                 | -                                    | 2.7              | 3.9              |                                      |
| Other revenue                                                                                                        | -                       | -                                    |  | -                        | -                                    |  | -                    | -           | -              | -              | -                                    | -            | -                                | -                                    | -                | -                 | -                                    | -                | -                |                                      |
| <b>Sales to external customers</b>                                                                                   | <b>3,809.6</b>          | <b>3,491.8</b>                       |  | <b>945.6</b>             | <b>974.7</b>                         |  | -                    | -           | <b>2.8</b>     | <b>3.2</b>     | -                                    | -            | -                                | -                                    | -                | <b>80.7</b>       | <b>92.9</b>                          | <b>4,838.7</b>   | <b>4,562.6</b>   |                                      |
| <b>by geographic segment</b>                                                                                         |                         |                                      |  |                          |                                      |  |                      |             |                |                |                                      |              |                                  |                                      |                  |                   |                                      |                  |                  |                                      |
| Australia                                                                                                            | 3,809.6                 | 3,491.8                              |  | 928.9                    | 957.0                                |  | -                    | -           | -              | -              | -                                    | -            | -                                | -                                    | -                | 62.0              | 73.8                                 | 4,800.5          | 4,522.6          |                                      |
| International                                                                                                        | -                       | -                                    |  | 16.7                     | 17.7                                 |  | -                    | -           | 2.8            | 3.2            | -                                    | -            | -                                | -                                    | -                | 18.7              | 19.1                                 | 38.2             | 40.0             |                                      |
| <b>Segment result</b>                                                                                                |                         |                                      |  |                          |                                      |  |                      |             |                |                |                                      |              |                                  |                                      |                  |                   |                                      |                  |                  |                                      |
| Segment earnings before interest, tax, depreciation and amortisation (EBITDA) <sup>(d)</sup>                         | 468.0                   | 434.5                                |  | 401.9                    | 399.6                                |  | 38.0                 | -           | 102.3          | 127.4          | 46.6                                 | 57.0         | 8.5                              | 17.3                                 | 1075.7           | (2.0)             | (2.4)                                | 1025.4           | (263.0)          |                                      |
| Depreciation and amortisation                                                                                        | (67.8)                  | (63.6)                               |  | (190.3)                  | (195.7)                              |  | -                    | -           | -              | (1.3)          | -                                    | -            | -                                | -                                    | -                | -                 | -                                    | (260.1)          | (263.0)          |                                      |
| <b>Segment earnings before interest and tax (EBIT)<sup>(e)</sup></b>                                                 | <b>400.2</b>            | <b>370.9</b>                         |  | <b>211.6</b>             | <b>203.9</b>                         |  | <b>38.0</b>          | <b>-</b>    | <b>102.3</b>   | <b>126.1</b>   | <b>46.6</b>                          | <b>57.0</b>  | <b>6.5</b>                       | <b>14.9</b>                          | <b>815.6</b>     | <b>762.4</b>      |                                      |                  |                  |                                      |
| <b>Other segment information</b>                                                                                     |                         |                                      |  |                          |                                      |  |                      |             |                |                |                                      |              |                                  |                                      |                  |                   |                                      |                  |                  |                                      |
| Share of results of equity accounted investees included in segment EBIT (excluding significant items) <sup>(f)</sup> | 1.0                     | (0.3)                                |  | -                        | -                                    |  | 38.0                 | -           | 104.8          | 130.1          | 16.1                                 | 50.5         | 1.1                              | 3.8                                  | 195.4            | -                 | -                                    | 149.7            | (278.5)          |                                      |
| Impairment of assets                                                                                                 | -                       | -                                    |  | -                        | (7.9)                                |  | -                    | -           | -              | (116.7)        | (161.8)                              | 92.9         | -                                | -                                    | 92.9             | -                 | (0.2)                                | -                | (8.1)            |                                      |
| Restructuring and redundancies                                                                                       | -                       | -                                    |  | -                        | -                                    |  | -                    | -           | -              | -              | -                                    | -            | -                                | -                                    | -                | -                 | -                                    | -                | -                |                                      |
| Share of results from equity accounted investees attributable to significant items                                   | -                       | -                                    |  | -                        | -                                    |  | (19.9)               | -           | (17.0)         | 11.4           | (81.5)                               | 77.5         | -                                | -                                    | 40.6             | (0.9)             | (1.2)                                | (70.1)           | (292.1)          |                                      |
| Capital expenditure                                                                                                  | (46.0)                  | (24.5)                               |  | (151.7)                  | (256.7)                              |  | -                    | -           | (3.3)          | (9.7)          | -                                    | -            | -                                | -                                    | (201.9)          | -                 | -                                    | -                | -                |                                      |
| Investments accounted for using the equity method                                                                    | 33.7                    | 32.7                                 |  | -                        | -                                    |  | 1,440.4              | -           | 1000.3         | 880.1          | 56.3                                 | 281.5        | 31.5                             | 30.4                                 | 2,787.4          | 31.5              | 30.4                                 | 999.5            | 999.5            |                                      |
| Other segment assets                                                                                                 | 2,433.8                 | 2,419.1                              |  | 2,342.4                  | 2,409.5                              |  | -                    | -           | 351.4          | 348.2          | 148.0                                | 250.2        | 251.4                            | 791.5                                | 5,629.2          | 251.4             | 791.5                                | 6,116.3          | 6,116.3          |                                      |
| <b>Segment assets</b>                                                                                                | <b>2,467.5</b>          | <b>2,451.8</b>                       |  | <b>2,342.4</b>           | <b>2,409.5</b>                       |  | <b>1,440.4</b>       | <b>-</b>    | <b>1,351.7</b> | <b>1,228.3</b> | <b>204.3</b>                         | <b>531.7</b> | <b>282.9</b>                     | <b>821.9</b>                         | <b>8,416.6</b>   | <b>282.9</b>      | <b>821.9</b>                         | <b>7,115.8</b>   | <b>7,115.8</b>   |                                      |
| <b>Segment liabilities</b>                                                                                           | <b>(1,138.2)</b>        | <b>(1,108.1)</b>                     |  | <b>(392.0)</b>           | <b>(439.0)</b>                       |  | <b>(112.6)</b>       | <b>-</b>    | <b>(71.2)</b>  | <b>(67.6)</b>  | <b>-</b>                             | <b>-</b>     | <b>-</b>                         | <b>-</b>                             | <b>(1,732.5)</b> | <b>(18.5)</b>     | <b>(53.5)</b>                        | <b>(1,668.2)</b> | <b>(1,668.2)</b> |                                      |

^ Amounts have been restated. Refer to Note 1 for further detail.

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

(b) Boral comprise investments accounted for using the equity method and costs incurred in increasing the Group's interest in Boral.

(c) Media investments comprise investments accounted for using the equity method and financial assets fair valued through other comprehensive income.

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

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

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

(g) Coates segment assets includes assets held for sale of \$5.0 million (2020: \$4.7 million). These assets relate to hire fleet available for immediate sale and are expected to be disposed of within 12 months.

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

# Results for the Year

## 2. Operating segments (continued)

### Analysis by geographical area

| Revenue and non-current assets by geographical area | Segment revenue |                | Non-current assets |                          |
|-----------------------------------------------------|-----------------|----------------|--------------------|--------------------------|
|                                                     | 2021<br>\$m     | 2020<br>\$m    | 2021<br>\$m        | Restated^<br>2020<br>\$m |
| Australia                                           | 4,800.5         | 4,522.6        | 3,527.4            | 3,571.1                  |
| United Arab Emirates                                | 12.3            | 9.1            | 3.2                | 3.9                      |
| Indonesia                                           | 16.7            | 17.7           | 9.9                | 13.8                     |
| United States of America                            | 8.0             | 10.3           | 0.1                | 0.2                      |
| New Zealand                                         | 1.2             | 2.9            | 0.2                | 0.7                      |
| <b>Total revenue and non-current assets</b>         | <b>4,838.7</b>  | <b>4,562.6</b> | <b>3,540.8</b>     | <b>3,589.7</b>           |

^ Amounts have been restated. Refer to Note 1 for further detail.

Non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) is outlined above. Segment assets are allocated to countries based on where the assets are located.

### Major customer

The Group derived \$487.8 million (2020: \$530.3 million) of revenue from a single major customer, which is greater than 10 per cent of the Group's revenue for the year. This revenue is included within the WesTrac, Coates and Other Investments segments.

### Segment reconciliations

| Reconciliation of segment EBIT to net profit before tax per consolidated income statement | 2021<br>\$m  | Restated^<br>2020<br>\$m |
|-------------------------------------------------------------------------------------------|--------------|--------------------------|
| Segment net operating profit before net finance expense and tax (EBIT)                    | 815.6        | 762.4                    |
| Corporate operating costs                                                                 | (23.5)       | (24.5)                   |
| Share of significant items relating to results from equity accounted investee             | 44.0         | (70.1)                   |
| Impairment reversal/(impairment) of equity accounted investee                             | 92.9         | (161.8)                  |
| Impairment of producing and development asset                                             | –            | (116.7)                  |
| Restructuring and redundancy costs                                                        | –            | (8.1)                    |
| Transaction costs incurred in relation to Boral                                           | (3.4)        | –                        |
| Net finance expense                                                                       | (162.9)      | (150.1)                  |
| <b>Profit before income tax per consolidated income statement</b>                         | <b>762.7</b> | <b>231.1</b>             |

### Reconciliation of segment operating assets to total assets per consolidated statement of financial position

|                                                                      |                |                |
|----------------------------------------------------------------------|----------------|----------------|
| Segment operating assets                                             | 8,416.6        | 7,115.8        |
| Corporate cash holdings                                              | 160.9          | 119.8          |
| Derivative financial instruments                                     | 148.6          | 208.1          |
| Assets held at corporate level                                       | 29.2           | 4.1            |
| <b>Total assets per consolidated statement of financial position</b> | <b>8,755.3</b> | <b>7,447.8</b> |

### Reconciliation of segment operating liabilities to total liabilities per consolidated statement of financial position

|                                                                           |                  |                  |
|---------------------------------------------------------------------------|------------------|------------------|
| Segment operating liabilities                                             | (1,732.5)        | (1,668.2)        |
| Derivative financial instruments                                          | (65.8)           | (11.6)           |
| Interest bearing loans and borrowings – current                           | (804.0)          | (57.5)           |
| Interest bearing loans and borrowings – non-current                       | (1,628.4)        | (2,497.2)        |
| Current tax liability                                                     | (29.9)           | (23.2)           |
| Deferred tax liabilities                                                  | (383.9)          | (273.2)          |
| Liabilities held at corporate level                                       | (45.2)           | (51.5)           |
| <b>Total liabilities per consolidated statement of financial position</b> | <b>(4,689.7)</b> | <b>(4,582.4)</b> |

^ Amounts have been restated. Refer to Note 1 for further detail.

### 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.

|                                                                                    | 2021<br>\$m  | Restated <sup>^</sup><br>2020<br>\$m |
|------------------------------------------------------------------------------------|--------------|--------------------------------------|
| Share of results from equity accounted investees attributable to significant items | 44.0         | (70.1)                               |
| Impairment reversal/(impairment) of equity accounted investee                      | 92.9         | (161.8)                              |
| Impairment of producing and development asset                                      | –            | (116.7)                              |
| Restructuring and redundancy costs                                                 | –            | (8.1)                                |
| Transaction costs incurred in relation to Boral                                    | (3.4)        | –                                    |
| <b>Total significant items before net finance expense and income tax</b>           | <b>133.5</b> | <b>(356.7)</b>                       |
| Significant items in finance expense                                               | (5.0)        | –                                    |
| <b>Total significant items before income tax</b>                                   | <b>128.5</b> | <b>(356.7)</b>                       |
| Income tax benefit on significant items                                            | 1.5          | 2.4                                  |
| <b>Total significant items</b>                                                     | <b>130.0</b> | <b>(354.3)</b>                       |

<sup>^</sup> Amounts have been restated. Refer to Note 1 for further detail.

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 the gain or loss on the sale of properties or investments, redundancy and acquisition costs, impairment of assets and onerous contracts. In the current year, it includes the impact of the Group's share of the impairment reversal of Seven West Media's intangible assets and reversal of onerous contract provisions as well as the Group's share of Beach Energy and Boral's significant items.

Impairment reversal/(impairment) of equity accounted investee relates to the impairment reversal/(impairment) of the Group's investment in the ordinary equity of Seven West Media Limited. Refer also to Note 11: Investments Accounted for Using the Equity Method.

Impairment of producing and development asset in the prior year relates to the impairment of the Group's joint operation in Bivins Ranch.

Restructuring and redundancy costs in the prior year relates to restructuring programs undertaken by Group subsidiaries, including impairment of right of use assets of \$0.3 million.

Transaction costs incurred and significant items in finance expense relate to costs incurred from the takeover offer for Boral Limited. Transaction costs are allocated to the Boral segment. Refer to Note 30: Events subsequent to balance date for further detail in relation to the Boral takeover offer.

# Results for the Year

## 4. Revenue and expenditure

### Accounting policy

Revenues from contracts with customers are recognised at the amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring control of goods or services to a customer. Revenue is recognised net of goods and services tax (GST).

Sales revenue is recognised at the point in time that control of the good or service has passed to the customer and performance obligations have been met. Where required, amounts relating to future performance obligations are deferred and recognised over time as the obligation is performed. Amounts are estimated using judgement, historical experience and the specific terms of the agreement with the customer to determine the amount and timing of revenue recognised.

### Revenue from contracts with customers

|                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Revenue from product sales</i>                   | Revenue associated with the sale of goods is recognised at the point in time 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 over time as the performance obligation is met.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <i>Revenue from product support</i>                 | <p>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.</p> <p>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 the financial results are not materially different to the effects of applying the standard on a contract by contract basis.</p> <p>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. MARCs continue to have critical assessment and judgement by management in preparing the assessment.</p> |
| <i>Revenue from hire of equipment</i>               | 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <i>Revenue from sale of oil, gas and condensate</i> | 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 to be met. Generally, the performance obligation will be met when the product is delivered to specified measurement point (gas) or point of loading/unloading (liquids).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <i>Other revenue</i>                                | Other revenue is recognised at the point in time that all performance obligations have been met. In the case of property sales, it is on completion of the contract and transfer of title.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

#### Revenue recognition – MARCs

Contract revenues and expenses are recognised over time for each identified component. In determining revenue and expense for MARCs, management makes assumptions and estimates regarding the work performed to date as a percentage of the total work to be performed and estimated revenues and expenses over the life of the contract. Contract variations are accounted for as modifications when they have been approved by the customer. Depending on the nature of the modification they are treated as either a separate performance obligation or a modification of an existing performance obligation.

|                                                                                | 2021<br>\$m      | Restated <sup>^</sup><br>2020<br>\$m |
|--------------------------------------------------------------------------------|------------------|--------------------------------------|
| <b>REVENUE FROM CONTRACTS WITH CUSTOMERS</b>                                   |                  |                                      |
| Product sales                                                                  | 1,505.5          | 1,164.7                              |
| Product support                                                                | 2,377.2          | 2,412.0                              |
| Hire of equipment                                                              | 950.5            | 978.8                                |
| Oil, gas and condensate                                                        | 2.8              | 3.2                                  |
| Other revenue                                                                  | 2.7              | 3.9                                  |
| <b>Total revenue</b>                                                           | <b>4,838.7</b>   | <b>4,562.6</b>                       |
| <b>EXPENDITURE EXCLUDING DEPRECIATION AND AMORTISATION</b>                     |                  |                                      |
| Materials cost of inventory sold and used in product sales and product support | (2,697.7)        | (2,418.1)                            |
| Repairs, maintenance and consumables used on equipment hire                    | (115.2)          | (130.6)                              |
| Employee benefits                                                              | (858.6)          | (862.4)                              |
| Other expenses                                                                 | (360.6)          | (370.8)                              |
| <b>Total expenses excluding depreciation and amortisation</b>                  | <b>(4,032.1)</b> | <b>(3,781.9)</b>                     |

<sup>^</sup> Amounts have been restated. Refer to Note 1 for further detail.

The Group disaggregates revenue by operating segment. Disaggregation of sales by geographic split is based on customer location. Refer to Note 2: Operating Segments for revenue by operating segment and geographical split.

As at 30 June 2021, the Group has remaining performance obligations to be recognised on MARCs with a duration of more than 12 months. The Group will recognise this revenue when the performance obligations are satisfied. The aggregate amount of the transaction price allocated to the remaining performance obligations is \$178.4 million (2020: \$240.9 million). Approximately 33 per cent (2020: 25 per cent) of remaining performance obligations are expected to occur within the next 12 months, with the remaining expected to occur over a period of up to six years.

Other expenses includes \$2.9 million (2020: \$3.4 million) in relation to the net impairment loss on trade receivables. Refer to Note 22: Financial Risk Management for further detail.

## 5. Net finance expense

### Accounting policy

Interest income includes interest on funds invested and is recognised in profit or loss as they accrue.

Finance expense comprises interest payable on borrowings and lease liabilities calculated using the effective interest method, including borrowing costs, unwinding of discount on provisions and deferred consideration.

Interest expense also includes the net fair value adjustment for cash-settled share-based payments.

|                                       | 2021<br>\$m    | 2020<br>\$m    |
|---------------------------------------|----------------|----------------|
| <b>FINANCE INCOME</b>                 |                |                |
| Interest income on bank deposits      | 0.7            | 1.2            |
| Other                                 | –              | 0.1            |
| <b>Total finance income</b>           | <b>0.7</b>     | <b>1.3</b>     |
| <b>FINANCE EXPENSE</b>                |                |                |
| Interest expense                      | (100.5)        | (86.0)         |
| Interest expense on lease liabilities | (52.8)         | (56.4)         |
| Borrowing costs                       | (7.2)          | (6.1)          |
| Unwind of discount on provisions      | (3.1)          | (2.9)          |
| <b>Total finance expense</b>          | <b>(163.6)</b> | <b>(151.4)</b> |
| <b>Net finance expense</b>            | <b>(162.9)</b> | <b>(150.1)</b> |

Interest expense includes \$1.7 million (2020: \$0.6 million) in relation to the fair value movement for cash settled share-based payments.

# Results for the Year

## 6. Income tax

### Accounting policy

Income tax expense comprises current and deferred tax expense. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income. Current tax expense for the period is the expected tax payable on the current period's taxable income based on the enacted or substantively enacted income tax rate for each jurisdiction adjusted by changes to tax payable in respect of previous years.

Deferred income tax is recognised on temporary differences arising between the expected tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and when they relate to income taxes levied by the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### Tax exposures

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities that will impact tax expense in the period if such a determination is made.

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Seven Group Holdings Limited.

### CRITICAL ACCOUNTING ESTIMATE AND JUDGEMENT

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Judgement is required in determining the provision for income taxes and the tax cost base of assets and liabilities.

Management judgement is also applied in assessing the recoverability of revenue and capital losses recognised as deferred tax assets by the Group. Deferred tax assets have been recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities and joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and/or it is probable that the differences will not reverse in the foreseeable future.

Assumptions are made about the application of income tax legislation. These assumptions are subject to risk and uncertainty and there is a possibility that changes in circumstances will alter expectations which may impact the amount of deferred tax assets, liabilities and provision for income taxes recorded in the statement of financial position. In these circumstances the carrying amount of deferred tax assets, liabilities and provision for income taxes may change impacting the profit or loss of the Group.

|                                                                               | Note | 2021<br>\$m    | Restated <sup>^</sup><br>2020<br>\$m |
|-------------------------------------------------------------------------------|------|----------------|--------------------------------------|
| <b>INCOME TAX EXPENSE</b>                                                     |      |                |                                      |
| Current tax expense                                                           |      | (117.1)        | (89.5)                               |
| Deferred tax expense                                                          |      | (9.7)          | (28.3)                               |
| Adjustment for prior years                                                    |      | (1.3)          | 4.2                                  |
| <b>Total income tax expense</b>                                               |      | <b>(128.1)</b> | <b>(113.6)</b>                       |
| <b>RECONCILIATION BETWEEN TAX EXPENSE AND PRE-TAX STATUTORY PROFIT:</b>       |      |                |                                      |
| Income tax using the domestic corporation tax rate 30%                        |      | (228.8)        | (69.3)                               |
| Franked dividends                                                             |      | 1.5            | 2.6                                  |
| Share of equity accounted investee's net profit                               |      | 71.8           | 23.9                                 |
| Non-assessable income                                                         |      | 0.7            | 9.0                                  |
| Non-deductible expenses                                                       |      | (1.6)          | (0.9)                                |
| Impairment of assets                                                          |      | 27.9           | (83.6)                               |
| Recognition of previously unrecognised tax losses                             |      | 0.9            | 0.1                                  |
| (Under)/over provided in prior years                                          |      | (1.3)          | 4.2                                  |
| Impact of differences in offshore tax rates                                   |      | 0.8            | 0.4                                  |
| <b>Income tax expense</b>                                                     |      | <b>(128.1)</b> | <b>(113.6)</b>                       |
| <b>DEFERRED INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME</b>           |      |                |                                      |
| Relating to financial assets at fair value through other comprehensive income | 26   | (93.2)         | (5.6)                                |
| Relating to cash flow hedge reserve                                           | 26   | (6.3)          | (0.9)                                |
| <b>Total deferred income tax recognised directly in equity</b>                |      | <b>(99.5)</b>  | <b>(6.5)</b>                         |

|                                                | Opening<br>balance<br>\$m | Recognised<br>in profit<br>\$m | Recognised<br>in OCI<br>\$m | Acquisitions<br>and other<br>\$m | Closing<br>balance<br>\$m |
|------------------------------------------------|---------------------------|--------------------------------|-----------------------------|----------------------------------|---------------------------|
| <b>YEAR ENDED 30 JUNE 2021</b>                 |                           |                                |                             |                                  |                           |
| <b>DEFERRED TAX ASSETS AND LIABILITIES</b>     |                           |                                |                             |                                  |                           |
| Investments                                    | (138.1)                   | 3.5                            | (93.2)                      | –                                | (227.8)                   |
| Derivative financial instruments               | 6.9                       | 4.4                            | (6.3)                       | –                                | 5.0                       |
| Property, plant and equipment                  | (112.8)                   | (37.2)                         | –                           | –                                | (150.0)                   |
| Intangible assets                              | (135.4)                   | –                              | –                           | (1.5)                            | (136.9)                   |
| Trade and other payables                       | 13.9                      | 5.3                            | –                           | –                                | 19.2                      |
| Provisions                                     | 24.0                      | 8.7                            | –                           | –                                | 32.7                      |
| Lease liabilities (net of right of use assets) | 68.0                      | 3.9                            | –                           | –                                | 71.9                      |
| Transaction costs deducted over five years     | 1.1                       | 1.8                            | –                           | –                                | 2.9                       |
| Other                                          | (0.8)                     | (0.1)                          | –                           | –                                | (0.9)                     |
| <b>Net deferred tax liability</b>              | <b>(273.2)</b>            | <b>(9.7)</b>                   | <b>(99.5)</b>               | <b>(1.5)</b>                     | <b>(383.9)</b>            |

**YEAR ENDED 30 JUNE 2020 (Restated<sup>^</sup>)**

|                                                |                |               |              |            |                |
|------------------------------------------------|----------------|---------------|--------------|------------|----------------|
| <b>DEFERRED TAX ASSETS AND LIABILITIES</b>     |                |               |              |            |                |
| Investments                                    | (134.7)        | 2.2           | (5.6)        | –          | (138.1)        |
| Derivative financial instruments               | 7.9            | (0.1)         | (0.9)        | –          | 6.9            |
| Property, plant and equipment                  | (95.2)         | (18.1)        | –            | 0.5        | (112.8)        |
| Intangible assets                              | (135.3)        | (0.1)         | –            | –          | (135.4)        |
| Trade and other payables                       | 17.1           | (3.2)         | –            | –          | 13.9           |
| Provisions                                     | 38.0           | (14.0)        | –            | –          | 24.0           |
| Lease liabilities (net of right of use assets) | 60.6           | 7.4           | –            | –          | 68.0           |
| Transaction costs deducted over five years     | 1.6            | (0.5)         | –            | –          | 1.1            |
| Other                                          | 1.1            | (1.9)         | –            | –          | (0.8)          |
| <b>Net deferred tax liability</b>              | <b>(238.9)</b> | <b>(28.3)</b> | <b>(6.5)</b> | <b>0.5</b> | <b>(273.2)</b> |

<sup>^</sup> Amounts have been restated. Refer to Note 1 for further detail.

There are no uncertain tax positions at 30 June 2021. As at 30 June 2021, the Group had not recognised:

- deferred tax assets of \$316.0 million (2020: \$408.8 million) for deductible temporary differences relating to unrealised tax benefits as it is not probable that future gains will be realised against which it could utilise the benefits;
- deferred tax asset of \$543.6 million (2020: \$560.2 million) for deductible temporary differences relating to Petroleum Resource Rent Tax credits;
- deferred tax assets of \$18.8 million (2020: \$15.4 million) for foreign tax losses; and
- deferred tax liabilities of \$77.9 million (2020: \$44.1 million) in respect of assessable temporary differences in relation to investments where management controls the timing of the reversal of the temporary difference and the temporary difference is not expected to reverse in the foreseeable future.

# Results for the Year

## 7. Earnings per share

### Accounting policy

Basic earnings per share (EPS) is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Underlying earnings per share is statutory earnings per share adjusted for significant items. The weighted average number of shares used to calculate underlying earnings per share is the same as the weighted average number of shares used to calculate statutory earnings per share.

|                                     | 2021<br>\$ | 2020<br>\$ |
|-------------------------------------|------------|------------|
| <b>STATUTORY EARNINGS PER SHARE</b> |            |            |
| Basic                               | 1.84       | 0.34       |
| Diluted                             | 1.83       | 0.34       |

|                                                                       | 2021<br>\$m  | Restated <sup>^</sup><br>2020<br>\$m |
|-----------------------------------------------------------------------|--------------|--------------------------------------|
| <b>EARNINGS RECONCILIATION BY CATEGORY OF SHARE - ORDINARY SHARES</b> |              |                                      |
| Net profit attributable to equity holders of the Company              | 631.4        | 115.3                                |
| <b>Net profit attributable to equity holders of the Company</b>       | <b>631.4</b> | <b>115.3</b>                         |

<sup>^</sup> Amounts have been restated. Refer to Note 1 for further detail.

|                                                                                | Note | 2021<br>Million | 2020<br>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           | 339.4           |
| Shares issued                                                                  |      | 23.9            | –               |
| <b>Issued shares as at 30 June</b>                                             | 25   | <b>363.3</b>    | <b>339.4</b>    |
| <b>Weighted average number of shares (basic) as at 30 June</b>                 |      | <b>343.5</b>    | <b>339.0</b>    |
| <b>Weighted average number of shares (diluted) as at 30 June<sup>(a)</sup></b> |      | <b>344.7</b>    | <b>339.6</b>    |

(a) Weighted average number of shares adjusted for effect of share options issued under employee share plans net of treasury shares and convertible notes issued 5 March 2018. At 30 June 2021, there were 0.9 million options that were dilutive (2020: 0.6 million).

|                                                         | 2021<br>\$ | Restated <sup>^</sup><br>2020<br>\$ |
|---------------------------------------------------------|------------|-------------------------------------|
| <b>UNDERLYING EARNINGS PER SHARE (NON-IFRS MEASURE)</b> |            |                                     |
| Basic                                                   | 1.46       | 1.39                                |
| Diluted                                                 | 1.45       | 1.38                                |

<sup>^</sup> Amounts have been restated. Refer to Note 1 for further detail.

Underlying earnings per share is a non-IFRS measure and is reconciled to statutory profit or loss as follows:

|                                                                                  | Note | 2021<br>\$m  | Restated <sup>^</sup><br>2020<br>\$m |
|----------------------------------------------------------------------------------|------|--------------|--------------------------------------|
| <b>UNDERLYING EARNINGS RECONCILIATION BY CATEGORY OF SHARE - ORDINARY SHARES</b> |      |              |                                      |
| Net profit attributable to equity holders of the Company                         |      | 631.4        | 115.3                                |
| Less: significant items                                                          | 3    | (130.0)      | 354.3                                |
| <b>Net underlying profit attributable to equity holders of the Company</b>       |      | <b>501.4</b> | <b>469.6</b>                         |

<sup>^</sup> Amounts have been restated. Refer to Note 1 for further detail.

# Operating Assets and Liabilities

## 8. Trade and other receivables

### Accounting policy

Trade receivables are initially recognised at the fair value of the invoice sent to the customer and subsequently at the amounts considered recoverable less provision for expected credit loss allowance (amortised cost). Trade receivables are generally due for settlement no more than 30 days from the date of recognition with the exception of certain WesTrac and Coates' customers with alternative settlement terms.

The Group has an established credit policy under which new customers are analysed individually for creditworthiness before the Group's standard payment, delivery terms and conditions are offered. The Group's review includes external ratings, when available. Purchase limits are established for each customer and these limits are reviewed annually or upon request. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group upon lodging of a bank guarantee as a security document or on a strictly pre-paid (cleared funds) only basis.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. Under the expected credit loss model, an impairment provision for receivables is established based on the expected credit losses over the lifetime of expected credit losses for the financial asset. The calculation of expected credit loss considers the impact of past events and exercises judgement over the impact of current and future economic conditions. The amount of the provision is recognised in profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

|                                                    | 2021<br>\$m  | 2020<br>\$m  |
|----------------------------------------------------|--------------|--------------|
| Trade receivables                                  | 547.3        | 536.9        |
| Loss allowance                                     | (10.0)       | (9.9)        |
| Contract assets                                    | 181.2        | 152.8        |
| Other receivables                                  | 113.8        | 95.6         |
| <b>Total trade and other receivables – current</b> | <b>832.3</b> | <b>775.4</b> |

Due to the short term nature of these receivables their carrying value is assumed to approximate their fair value. The creation and release of the provision for expected credit loss has been included in other expenses in profit or loss. For further detail on the Group and the Company's expected exposure to credit risk refer to Note 22: Financial Risk Management.

Contract assets relate to revenue earned from ongoing service contracts in the FlexiParts business. As such, the balances of this account vary and depend on the number of ongoing refurbishment services at the end of the year. At 30 June 2021, \$0.8 million (2020: \$1.2 million) was recognised as a provision for expected credit loss on contract assets.

Other receivables includes \$26.4 million for cash collateral provided in relation to equity settled swaps. Refer to Note 21: Interest bearing loans and borrowings for further detail.

# Operating Assets and Liabilities

## 9. Trade and other payables

### Accounting policy

Trade payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within normal trading terms.

|                                                 | 2021<br>\$m  | 2020<br>\$m  |
|-------------------------------------------------|--------------|--------------|
| Trade payables                                  | 243.9        | 260.6        |
| Other payables                                  | 167.1        | 82.9         |
| Accruals                                        | 170.2        | 100.1        |
| Accruals – cash settled share based payments    | 4.1          | 5.1          |
| <b>Total trade and other payables – current</b> | <b>585.3</b> | <b>448.7</b> |

The Group's trade and other payables (excluding accruals) are due to mature within one year. Due to the short term nature of these payables their carrying value is assumed to approximate their fair value.

Other payables includes \$112.6 million in relation to amounts payable for acceptances under the takeover offer for Boral. Refer to Note 30: Events subsequent to balance date.

The Company has entered into a Deed of Cross Guarantee with certain subsidiaries as described in Note 32: Controlled Entities. Under the terms of the Deed, the Company has guaranteed the repayment of all current and future creditors in the event that any of the entities party to the Deed are wound up. Details of the consolidated financial position of the Company and parties to the Deed are set out in Note 32.

## 10. Inventories

### Accounting policy

Inventories are measured at the lower of cost and net realisable value.

Cost is based on the actual costs, with the exception of exchange component inventory and parts inventory for which cost is based on weighted average cost, and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. Net realisable value is determined on the basis of the Group's normal selling pattern. Expenses for marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

### CRITICAL ACCOUNTING ESTIMATE AND JUDGEMENT

Management is required to make judgements regarding writedowns to determine the net realisable value of inventory. These writedowns consider factors such as the age and condition of goods, machine population in service for parts as well as recent market data to assess the estimated future demand for the goods.

To date, COVID-19 has not had a material impact on the Group's assessment of the net realisable value of inventory, with inventory turn increasing since the commencement of the COVID-19 pandemic.

|                             | 2021<br>\$m  | 2020<br>\$m  |
|-----------------------------|--------------|--------------|
| Raw materials – at cost     | 17.9         | 23.5         |
| Work-in-progress – at cost  | 6.2          | 6.5          |
| Finished goods              |              |              |
| – at cost                   | 761.8        | 715.0        |
| – at net realisable value   | 18.3         | 91.8         |
| <b>Total finished goods</b> | <b>780.1</b> | <b>806.8</b> |
| <b>Total inventories</b>    | <b>804.2</b> | <b>836.8</b> |

Work-in-progress includes \$2.7 million (2020: \$4.1 million) in relation to the development of a second stage of residential properties at Seven Hills, Western Australia.

## 11. Investments accounted for using the equity method

### Accounting policy

Investments accounted for using the equity method comprise investments in associates and joint ventures (equity accounted investees). Investments in equity accounted investees are initially recognised at cost and subsequently accounted for using the equity method.

Under the equity method, where the Group has in substance an ownership interest as a result of transactions giving access to returns associated with ownership, such as equity settled swaps, the Group takes into account eventual exercise of potential voting rights in determining ownership interest.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence generally exists when the Group holds between 20 and 50 per cent of the voting rights of another entity, unless it can be clearly demonstrated that this is not the case.

Joint ventures are those entities over whose activities the Group has joint control and rights to the net assets of the arrangement, rather than rights to the assets and obligations for its liabilities.

The Group's investments includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of post acquisition income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group. When the Group's share of losses equals or exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Dividends received or receivable from equity accounted investees are recognised as a reduction in the carrying amount of the investment.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in that investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

#### Control, joint control or significant influence

Significant judgement and assumptions are made in determining whether an entity has control, joint control or significant influence over another entity and the type of the joint arrangement. In considering the classification, management considers whether control, significant influence or joint control exists, the nature and structure of the relationship and other facts and circumstances.

#### Beach Energy Limited (Beach Energy)

The Group holds a 30.0 per cent (2020: 28.5 per cent) interest in Beach Energy and two directors on the Beach board. The Group continues to classify its investment as an associate. The Group has the ability to significantly influence, but not control or jointly control, the financial and operating decisions through its investment and board representation.

#### Boral Limited (Boral)

The Group holds a 26.1 per cent (2020: 12.2 per cent) interest in Boral and one director on the Boral board. The Group continues to classify its investment as an associate at 30 June 2021 as the Group has the ability to significantly influence, but not control or jointly control, the financial and operating decisions through its investment and board representation. The Group obtained control of Boral subsequent to balance date. Refer to Note 30: Events subsequent to balance date for further details.

#### Seven West Media Limited (Seven West Media)

The Group has classified its investment in Seven West Media as an associate. The Group, through its 40.2 per cent (2020: 40.2 per cent) ownership interest and equivalent voting rights, has the ability to significantly influence, but not control or jointly control the financial and operating 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 of non-SGH related vote participation at AGMs and its majority independent board (the Group only has two out of nine directors). Accordingly, the Group does not control Seven West Media and is therefore not required to consolidate Seven West Media at 30 June 2021.

#### Impairment of investments accounted for using the equity method

In accordance with AASB 136: Impairment of Assets, the recoverable amount of assets is the greater of its value-in-use and its fair value less cost of disposal. In the absence of quoted market prices, an asset's value-in-use is calculated by estimating the present value of future cash flows using an asset specific discount rate. These calculations also require the use of assumptions regarding profit margins, growth rates and discount rates.

In determining the amount of impairment for equity accounted investees that are listed, management has made judgements in identifying financial assets that are impaired due to industry factors or whose decline in fair value below original cost is considered significant or prolonged. A significant decline is assessed based on the percentage decline from acquisition cost of the share, while a prolonged decline is based on the length of the time over which the share price has been depressed below cost. Management considers a decline of 30 per cent to be significant and a period of 12 months to be prolonged.

# Operating Assets and Liabilities

## 11. Investments accounted for using the equity method (continued)

| Investee                               | Principal activities                                     | Country of incorporation | Balance date | OWNERSHIP INTEREST |        |
|----------------------------------------|----------------------------------------------------------|--------------------------|--------------|--------------------|--------|
|                                        |                                                          |                          |              | 2021 %             | 2020 % |
| ASSOCIATES                             |                                                          |                          |              |                    |        |
| Beach Energy Limited <sup>(a)</sup>    | Oil and gas exploration, development, production         | Australia                | 30 Jun       | 30.0               | 28.5   |
| Boral Limited <sup>(b)</sup>           | Supplier of building products and construction materials | Australia                | 30 Jun       | 26.1               | –      |
| Energy Power Systems Australia Pty Ltd | Distribution and rental of CAT engine products           | Australia                | 30 Jun       | 40.0               | 40.0   |
| Mo’s Mobiles Pty Limited               | Mobile phone retailer                                    | Australia                | 30 Jun       | 25.0               | 25.0   |
| Seven West Media Limited               | Media                                                    | Australia                | 26 Jun       | 40.2               | 40.2   |
| JOINT VENTURES                         |                                                          |                          |              |                    |        |
| 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) On 30 April 2021, the Group acquired an additional interest in Beach Energy under a swap transaction, increasing the Group's relevant interest in Beach to 30.0 per cent.

(b) At June 2020, the Group had a 12.2 per cent interest in Boral Limited which was accounted for as an Other Financial Asset. During the year, the Group acquired an additional interest in Boral and increased its interest as a result of Boral's on-market buy back. The Group's interest increased to 26.1 per cent. The Group's interest increased further post balance date. Refer to Note 30: Events subsequent to balance date for further detail.

The country of incorporation of the above associates and joint ventures is also their principal place of business.

|                                                                | 2021<br>\$m    | Restated <sup>^</sup><br>2020<br>\$m |
|----------------------------------------------------------------|----------------|--------------------------------------|
| Investments in associates                                      |                |                                      |
| Beach Energy Limited                                           | 1,000.3        | 880.1                                |
| Boral Limited                                                  | 1,440.4        | –                                    |
| Seven West Media Limited                                       | 281.5          | 56.3                                 |
| Individually immaterial associates                             | 33.7           | 32.7                                 |
| Investments in joint ventures                                  |                |                                      |
| Individually immaterial joint ventures                         | 31.5           | 30.4                                 |
| <b>Total investments accounted for using the equity method</b> | <b>2,787.4</b> | <b>999.5</b>                         |

<sup>^</sup> Amounts have been restated. Refer to Note 1 for further detail.

Beach Energy is a listed oil and gas exploration, development and production company based in Australia with investments in the petroleum resource industry. The Group's investment in Beach Energy is held for strategic purposes and is disclosed within the Energy segment.

Boral Limited is a listed supplier of building products and construction materials based in Australia with operations in North America. The Group's investment in Boral is held for strategic purposes and is disclosed within the Boral segment.

Seven West Media is a leading listed national multi-platform media business based in Australia. The Group's investment in Seven West Media is held for strategic purposes and disclosed within the Media investments segment.

|                                                                | 2021<br>\$m  | Restated^<br>2020<br>\$m |
|----------------------------------------------------------------|--------------|--------------------------|
| <b>SHARE OF INVESTEEES' NET PROFIT/(LOSS)</b>                  |              |                          |
| Investments in associates                                      |              |                          |
| Beach Energy Limited                                           | 87.8         | 142.4                    |
| Boral Limited                                                  | 21.5         | –                        |
| Seven West Media Limited                                       | 128.0        | (66.3)                   |
| Individually immaterial associates                             | 1.0          | (0.3)                    |
| Investments in joint ventures                                  |              |                          |
| Individually immaterial joint ventures                         | 1.1          | 3.8                      |
| <b>Total share of net profit of equity accounted investees</b> | <b>239.4</b> | <b>79.6</b>              |

#### MARKET VALUES OF LISTED INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

|                          |         |       |
|--------------------------|---------|-------|
| Beach Energy Limited     |         |       |
| Book value               | 1,000.3 | 880.1 |
| Market value             | 849.1   | 988.8 |
| Boral Limited            |         |       |
| Book value               | 1,440.4 | –     |
| Market value             | 2,198.1 | –     |
| Seven West Media Limited |         |       |
| Book value               | 281.5   | 56.3  |
| Market value             | 281.5   | 56.3  |

^ Amounts have been restated. Refer to Note 1 for further detail.

An impairment reversal of \$92.9 million (2020 restated: impairment of \$161.8 million) relating to the Group's investment in Seven West Media was recognised in profit or loss during the year. No impairment has been recognised in relation to the Group's investment in Beach Energy as the decline in market value is neither significant nor prolonged at 30 June 2021.

During the year, \$376.8 million was incurred as non-cash investing expenditure in relation to the Group's investment in Beach Energy and Boral using equity settled swaps. Refer to Note 21: Interest bearing loans and borrowings for further detail.

# Operating Assets and Liabilities

## 11. Investments accounted for using the equity method (continued)

The summarised financial information for the Group's material associates is detailed below. The information disclosed reflects the amounts presented in the financial statements of the relevant associate and not the Group's share of those amounts.

|                                                             | ASSOCIATE<br>BEACH ENERGY |                                      | ASSOCIATE<br>BORAL |             | ASSOCIATE<br>SEVEN WEST MEDIA |                                      |
|-------------------------------------------------------------|---------------------------|--------------------------------------|--------------------|-------------|-------------------------------|--------------------------------------|
|                                                             | 2021<br>\$m               | Restated <sup>^</sup><br>2020<br>\$m | 2021<br>\$m        | 2020<br>\$m | 2021<br>\$m                   | Restated <sup>^</sup><br>2020<br>\$m |
| <b>SUMMARISED FINANCIAL INFORMATION OF INVESTEES (100%)</b> |                           |                                      |                    |             |                               |                                      |
| <b>Summarised Statement of Financial Position</b>           |                           |                                      |                    |             |                               |                                      |
| Current assets                                              |                           |                                      |                    |             |                               |                                      |
| Cash and cash equivalents                                   | 126.7                     | 109.9                                | 903.8              | –           | 253.3                         | 352.0                                |
| Other current assets                                        | 544.2                     | 397.7                                | 4,365.9            | –           | 411.6                         | 309.6                                |
| Total current assets                                        | 670.9                     | 507.6                                | 5,269.7            | –           | 664.9                         | 661.6                                |
| Non-current assets                                          |                           |                                      |                    |             |                               |                                      |
| Goodwill                                                    | 57.1                      | 57.1                                 | 71.2               | –           | –                             | –                                    |
| Intangible assets                                           | 20.0                      | 21.7                                 | 1.2                | –           | 680.3                         | 475.0                                |
| Other non-current assets                                    | 3,931.2                   | 3,625.9                              | 2,242.3            | –           | 178.5                         | 280.9                                |
| Total non-current assets                                    | 4,008.3                   | 3,704.7                              | 2,314.7            | –           | 858.8                         | 755.9                                |
| Current liabilities                                         |                           |                                      |                    |             |                               |                                      |
| Financial liabilities <sup>(a)</sup>                        | 77.0                      | 26.8                                 | 55.3               | –           | 10.5                          | 9.4                                  |
| Other current liabilities                                   | 322.0                     | 429.4                                | 1,225.1            | –           | 506.1                         | 392.8                                |
| Total current liabilities                                   | 399.0                     | 456.2                                | 1,280.4            | –           | 516.6                         | 402.2                                |
| Non-current liabilities                                     |                           |                                      |                    |             |                               |                                      |
| Financial liabilities <sup>(a)</sup>                        | 26.0                      | 35.3                                 | 1,789.1            | –           | 687.1                         | 963.6                                |
| Other non-current liabilities                               | 1,166.4                   | 903.0                                | 150.9              | –           | 235.6                         | 293.8                                |
| Total non-current liabilities                               | 1,192.4                   | 938.3                                | 1,940.0            | –           | 922.7                         | 1,257.4                              |
| <b>Net assets</b>                                           | <b>3,087.8</b>            | <b>2,817.8</b>                       | <b>4,364.0</b>     | <b>–</b>    | <b>84.4</b>                   | <b>(242.1)</b>                       |
| Group's share (%)                                           | 30.02%                    | 28.52%                               | 26.08%             | –           | 40.23%                        | 40.23%                               |
| Group's share of net assets                                 | 927.0                     | 803.6                                | 1,138.1            | –           | 34.0                          | (97.4)                               |
| Share of impairment not recognised as previously impaired   | –                         | –                                    | –                  | –           | 571.0                         | 571.0                                |
| Adjustment to align accounting policies                     | –                         | –                                    | –                  | –           | (18.5)                        | (18.5)                               |
| Share of rights issue not taken up                          | –                         | –                                    | –                  | –           | (125.2)                       | (125.2)                              |
| Change in ownership interest                                | 73.3                      | 76.5                                 | 302.3              | –           | 173.0                         | 173.0                                |
| Impairment                                                  | –                         | –                                    | –                  | –           | (352.8)                       | (446.6)                              |
| <b>Carrying amount</b>                                      | <b>1,000.3</b>            | <b>880.1</b>                         | <b>1,440.4</b>     | <b>–</b>    | <b>281.5</b>                  | <b>56.3</b>                          |
| <b>Summarised Statement of Comprehensive Income</b>         |                           |                                      |                    |             |                               |                                      |
| Revenue                                                     | 1,562.0                   | 1,728.2                              | 5,345.7            | –           | 1,269.6                       | 1,226.4                              |
| Depreciation and amortisation                               | (429.5)                   | (454.8)                              | (437.4)            | –           | (116.6)                       | (136.8)                              |
| Net interest expense                                        | (5.5)                     | (14.0)                               | (130.6)            | –           | (61.4)                        | (40.6)                               |
| Income tax (expense)/benefit                                | (120.3)                   | (191.5)                              | (63.3)             | –           | (127.5)                       | 94.4                                 |
| Profit/(loss) for the year <sup>(b)</sup>                   | 316.5                     | 499.1                                | 639.9              | –           | 318.1                         | (163.3)                              |
| Other comprehensive income                                  | 0.3                       | (13.6)                               | (232.7)            | –           | 3.0                           | (2.7)                                |
| <b>Total comprehensive income for the year</b>              | <b>316.8</b>              | <b>485.5</b>                         | <b>407.2</b>       | <b>–</b>    | <b>321.1</b>                  | <b>(166.0)</b>                       |
| <b>Dividends received by the Group</b>                      | <b>13.0</b>               | <b>13.0</b>                          | <b>–</b>           | <b>–</b>    | <b>–</b>                      | <b>–</b>                             |

<sup>^</sup> Amounts have been restated. Refer to Note 1 for further detail.

(a) Financial liabilities excluding trade and other payables and provisions, including lease liabilities and borrowings.

(b) Boral profit from continuing operations was \$19.1 million (2020: n/a) and profit from discontinued operations was \$620.8 million (2020: n/a). Seven West Media profit from continuing operations was \$318.1 million (2020 restated: loss \$201.2 million) and discontinued operations was nil (2020: profit \$37.9 million).

## 12. 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.

#### 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.

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.

#### 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.

### 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.

# Operating Assets and Liabilities

## 12. Right of use assets and Lease liabilities (continued)

### Movement in right of use assets

| YEAR ENDED 30 JUNE 2021                         | Land and buildings<br>\$m | Plant and equipment<br>\$m | Hire fleet<br>\$m | Motor vehicles<br>\$m | Total<br>\$m |
|-------------------------------------------------|---------------------------|----------------------------|-------------------|-----------------------|--------------|
| <b>Carrying amount at beginning of the year</b> | <b>567.1</b>              | <b>1.4</b>                 | <b>26.7</b>       | <b>41.4</b>           | <b>636.6</b> |
| Additions                                       | 19.5                      | 1.6                        | 0.3               | 12.0                  | 33.4         |
| Modifications                                   | 6.7                       | 0.9                        | 0.4               | 0.6                   | 8.6          |
| Impairment                                      | (0.4)                     | –                          | –                 | –                     | (0.4)        |
| Disposals                                       | (7.1)                     | (0.1)                      | (1.0)             | (1.1)                 | (9.3)        |
| Depreciation                                    | (46.5)                    | (1.5)                      | (9.5)             | (16.0)                | (73.5)       |
| Foreign currency loss                           | (0.4)                     | –                          | –                 | –                     | (0.4)        |
| <b>Carrying amount at end of the year</b>       | <b>538.9</b>              | <b>2.3</b>                 | <b>16.9</b>       | <b>36.9</b>           | <b>595.0</b> |
| At cost                                         | 856.1                     | 4.8                        | 63.4              | 80.9                  | 1,005.2      |
| Accumulated depreciation                        | (317.2)                   | (2.5)                      | (46.5)            | (44.0)                | (410.2)      |
| <b>Total right of use assets</b>                | <b>538.9</b>              | <b>2.3</b>                 | <b>16.9</b>       | <b>36.9</b>           | <b>595.0</b> |

### YEAR ENDED 30 JUNE 2020

|                                                 |              |            |             |             |              |
|-------------------------------------------------|--------------|------------|-------------|-------------|--------------|
| <b>Carrying amount at beginning of the year</b> | <b>587.1</b> | <b>5.0</b> | <b>29.5</b> | <b>36.9</b> | <b>658.5</b> |
| Additions                                       | 22.3         | 0.6        | 4.7         | 19.7        | 47.3         |
| Modifications                                   | 7.0          | –          | 3.3         | 1.2         | 11.5         |
| Impairment                                      | (0.3)        | –          | –           | –           | (0.3)        |
| Disposals                                       | (1.5)        | (1.0)      | (0.3)       | (0.1)       | (2.9)        |
| Depreciation                                    | (47.6)       | (3.2)      | (10.5)      | (16.3)      | (77.6)       |
| Foreign currency gain                           | 0.1          | –          | –           | –           | 0.1          |
| <b>Carrying amount at end of the year</b>       | <b>567.1</b> | <b>1.4</b> | <b>26.7</b> | <b>41.4</b> | <b>636.6</b> |
| At cost                                         | 858.3        | 5.5        | 68.3        | 91.9        | 1,024.0      |
| Accumulated depreciation                        | (291.2)      | (4.1)      | (41.6)      | (50.5)      | (387.4)      |
| <b>Total right of use assets</b>                | <b>567.1</b> | <b>1.4</b> | <b>26.7</b> | <b>41.4</b> | <b>636.6</b> |

|                                                | Note | 2021<br>\$m | 2020<br>\$m |
|------------------------------------------------|------|-------------|-------------|
| <b>Amounts recognised in profit and loss</b>   |      |             |             |
| Depreciation expense on right of use assets    |      | 73.5        | 77.6        |
| Interest expense on lease liabilities          | 5    | 52.8        | 56.4        |
| Expense relating to short-term leases          |      | 11.5        | 10.5        |
| Expense relating to leases of low value assets |      | 3.5         | 1.6         |

### Lease liabilities

|                                                                                   | 2021<br>\$m    | 2020<br>\$m    |
|-----------------------------------------------------------------------------------|----------------|----------------|
| Amounts due for settlement within 12 months (shown within current liabilities)    | 49.4           | 52.8           |
| Amounts due for settlement after 12 months (shown within non-current liabilities) | 785.7          | 810.8          |
| <b>Total lease liabilities</b>                                                    | <b>835.1</b>   | <b>863.6</b>   |
| <b>Lease liabilities (undiscounted) maturity analysis:</b>                        |                |                |
| Not later than one year                                                           | 99.8           | 105.5          |
| Later than one year but not later than two years                                  | 89.5           | 96.3           |
| Later than two years but not later than five years                                | 221.9          | 229.8          |
| Later than five years but not later than ten years                                | 334.7          | 337.6          |
| Later than ten years but not later than 20 years                                  | 598.3          | 588.9          |
| Later than 20 years                                                               | 164.6          | 224.0          |
| <b>Total undiscounted lease liabilities</b>                                       | <b>1,508.8</b> | <b>1,582.1</b> |

## 13. Property, plant and equipment

### Accounting policy

Property, plant and equipment is measured at historical cost less accumulated depreciation and impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditure is capitalised in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

All other repairs and maintenance is charged to the profit or loss during the reporting period in which they are incurred.

Freehold land is not depreciated. The cost of improvements to or on leasehold properties is amortised over the shorter of the unexpired period of the lease or the estimated useful life of the improvement to the Group.

Depreciation on the following assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

|                        |              |
|------------------------|--------------|
| Buildings              | 40 years     |
| Leasehold improvements | 1 – 25 years |
| Hire fleet             | 3 – 13 years |
| Plant and equipment    | 2 – 13 years |

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

### Movement in property, plant and equipment

|                                                 | Freehold<br>land and<br>buildings<br>\$m | Leasehold<br>improve-<br>ments<br>\$m | Hire<br>fleet<br>\$m | Plant and<br>equipment<br>\$m | Total<br>\$m |
|-------------------------------------------------|------------------------------------------|---------------------------------------|----------------------|-------------------------------|--------------|
| <b>YEAR ENDED 30 JUNE 2021</b>                  |                                          |                                       |                      |                               |              |
| <b>Carrying amount at beginning of the year</b> | <b>37.2</b>                              | <b>42.6</b>                           | <b>801.2</b>         | <b>100.9</b>                  | <b>981.9</b> |
| Additions                                       | 10.5                                     | 6.1                                   | 118.0                | 29.4                          | 164.0        |
| Disposals                                       | (0.4)                                    | (0.1)                                 | (21.2)               | (2.0)                         | (23.7)       |
| Depreciation                                    | (0.7)                                    | (5.9)                                 | (151.4)              | (20.8)                        | (178.8)      |
| Exchange differences                            | –                                        | –                                     | (0.9)                | (0.2)                         | (1.1)        |
| Transfer to assets held for sale                | –                                        | –                                     | (0.4)                | –                             | (0.4)        |
| Other <sup>(a)</sup>                            | (0.4)                                    | 0.8                                   | 26.3                 | (1.4)                         | 25.3         |
| <b>Carrying amount at end of the year</b>       | <b>46.2</b>                              | <b>43.5</b>                           | <b>771.6</b>         | <b>105.9</b>                  | <b>967.2</b> |
| At cost                                         | 55.8                                     | 111.9                                 | 1,863.4              | 314.8                         | 2,345.9      |
| Accumulated depreciation                        | (9.6)                                    | (68.4)                                | (1,091.8)            | (208.9)                       | (1,378.7)    |
| <b>Total property, plant and equipment</b>      | <b>46.2</b>                              | <b>43.5</b>                           | <b>771.6</b>         | <b>105.9</b>                  | <b>967.2</b> |

### YEAR ENDED 30 JUNE 2020

|                                                 | Freehold<br>land and<br>buildings<br>\$m | Leasehold<br>improve-<br>ments<br>\$m | Hire<br>fleet<br>\$m | Plant and<br>equipment<br>\$m | Total<br>\$m |
|-------------------------------------------------|------------------------------------------|---------------------------------------|----------------------|-------------------------------|--------------|
| <b>Carrying amount at beginning of the year</b> | <b>37.8</b>                              | <b>44.6</b>                           | <b>728.0</b>         | <b>99.9</b>                   | <b>910.3</b> |
| Additions                                       | 0.7                                      | 4.2                                   | 254.5                | 26.7                          | 286.1        |
| Disposals                                       | (0.6)                                    | –                                     | (29.7)               | (1.7)                         | (32.0)       |
| Depreciation                                    | (0.7)                                    | (6.5)                                 | (150.4)              | (21.8)                        | (179.4)      |
| Exchange differences                            | –                                        | 0.1                                   | (0.5)                | –                             | (0.4)        |
| Transfer to assets held for sale                | –                                        | –                                     | (2.6)                | –                             | (2.6)        |
| Other <sup>(a)</sup>                            | –                                        | 0.2                                   | 1.9                  | (2.2)                         | (0.1)        |
| <b>Carrying amount at end of the year</b>       | <b>37.2</b>                              | <b>42.6</b>                           | <b>801.2</b>         | <b>100.9</b>                  | <b>981.9</b> |
| At cost                                         | 46.2                                     | 106.2                                 | 1,888.9              | 317.0                         | 2,358.3      |
| Accumulated depreciation                        | (9.0)                                    | (63.6)                                | (1,087.7)            | (216.1)                       | (1,376.4)    |
| <b>Total property, plant and equipment</b>      | <b>37.2</b>                              | <b>42.6</b>                           | <b>801.2</b>         | <b>100.9</b>                  | <b>981.9</b> |

(a) other includes net transfer from inventory, impairments and reclassifications.

During the year, Coates reviewed the residual values of certain categories of hire fleet assets to reflect disposal experience. This resulted in a reduction in the useful lives of certain hire assets, increasing depreciation by \$0.9 million. The prior year included an increase in residual lives to reflect disposal experience and resulted in a decrease in depreciation of \$3.0 million, offset by an increase in depreciation of \$3.7 million for reduced useful lives of certain hire assets located in harsh environments.

# Operating Assets and Liabilities

## 14. Producing and development assets

### Accounting policy

Producing and development assets are carried at historical cost less accumulated depreciation.

### Development costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within development assets.

### Depreciation/amortisation

Producing oil and gas properties are depreciated/amortised on a unit of production basis over the total proved developed and undeveloped reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

### Assessment of recoverable amount and key assumptions used

Producing and development asset valuations are based on the expected production profile of reserves and resources and various estimates and assumptions. For the purposes of assessing impairment, the recoverable amount of an asset or cash generating unit (CGU) are based on the greater of its fair value less costs of disposal (FVLCD) and its value-in-use, using a discount rate specific to the asset. Where the carrying value is less than the recoverable value, an impairment is expensed in the income statement.

The estimated future cash flows for the value-in-use calculation are based on various estimates, the most significant of which are reserves, future production profiles, commodity prices, operating costs and any future development costs necessary to produce the reserves. For the FVLCD calculation, future cash flows are based on estimates of reserves in addition to other relevant factors such as value attributable to additional resources and exploration opportunities beyond reserves based on production plans.

The cash flow projections for Bivins Ranch and Longtom reflect the expected production profile of reserves and resources. The discount rates applied to the forecast cash flows are based on the weighted average cost of capital adjusted for risks where appropriate including the functional currency of the asset and the risk profile of the country in which the asset operates. The post-tax discount rates that have been applied range between 7.9 to 8.0 per cent (2020: between 8.0 to 8.6 per cent).

### Estimates on reserve quantities and quality

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 relevant local guidelines, including SPE-PRMS guidelines in Australia prepared by the Society of Petroleum Engineers.

### Estimation on commodity prices

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.

### Climate change

Current climate change legislation is considered in estimated cash flows. Climate change risks may result in a proportion of reserves becoming incapable of economic extraction, demand for hydrocarbons decreasing due to policy, regulation including carbon pricing, legal, technological, market or societal responses to climate change and physical aspects related to extreme weather events or climate change.

## Movement in producing and development assets

|                                                 | 2021<br>\$m  | 2020<br>\$m  |
|-------------------------------------------------|--------------|--------------|
| <b>Carrying amount at beginning of the year</b> | <b>112.2</b> | <b>227.3</b> |
| Additions                                       | –            | 0.7          |
| Depreciation                                    | –            | (1.3)        |
| Impairment                                      | –            | (116.7)      |
| Exchange differences                            | –            | 2.2          |
| <b>Carrying amount at end of the year</b>       | <b>112.2</b> | <b>112.2</b> |
| At cost                                         | 240.5        | 251.9        |
| Accumulated depreciation                        | (21.5)       | (22.7)       |
| Accumulated impairment                          | (106.8)      | (117.0)      |
| <b>Total producing and development assets</b>   | <b>112.2</b> | <b>112.2</b> |

## Joint operation

The Group, through its wholly-owned subsidiary Seven Network (United States) Inc., is party to the Bivins Ranch basin joint operation in Texas, United States of America.

| Principal activities   | Operator of joint operation                       | UNINCORPORATED<br>INTEREST |           |
|------------------------|---------------------------------------------------|----------------------------|-----------|
|                        |                                                   | 2021<br>%                  | 2020<br>% |
| Oil and gas production | Presidio Petroleum LLC & Sunlight Exploration Inc | 11.2                       | 11.2      |

Producing and development assets comprise of the Group's operating interests in the Longtom gas and condensate field located in the Bass Strait 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.

As at 30 June 2021, the Group performed an impairment review of its producing and development assets in accordance with AASB 136: Impairment of Assets. The review has not identified any indicators of impairment, therefore no impairments have been recognised in the current year. The Group's investment in Bivins Ranch was impaired in the prior year, and there has been no change in estimates that have increased estimated service potential since the impairment loss was recognised.

# Operating Assets and Liabilities

## 15. Exploration and evaluation assets

### Accounting policy

Exploration and evaluation expenditure is accounted for using the successful efforts method of accounting.

### Exploration and evaluation assets

Exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Once the legal right to explore has been acquired, costs directly associated with an exploration well are capitalised as exploration and evaluation assets until the drilling of the well is complete and the results have been evaluated. These costs include directly attributable employee benefits, materials and fuel used, rig costs and payments made to contractors.

If no potentially commercial hydrocarbons are discovered, the exploration asset is expensed through the income statement as a dry hole. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), are likely to be capable of being commercially developed, the costs continue to be carried as an exploration and evaluation asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalised as an exploration and evaluation asset.

All such, capitalised costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least annually. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are expensed to the income statement. When proved reserves of oil and natural gas are identified, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to producing and development assets. Other than licence costs, no amortisation is charged during the exploration and evaluation phase.

The ultimate recoupment of the carrying value of the Group's exploration and evaluation assets is dependent on successful commercial exploitation, or the sale of the respective area of interest.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

### Recoverability of exploration and evaluation assets

Assessment of recoverability of capitalised exploration and evaluation expenditure requires certain estimates and assumptions to be made as to future events and circumstances, particularly in relation to whether economic quantities of reserves will be discovered or whether further evaluation work is underway or planned to support continued carry forward of capitalised costs. Such estimates and assumptions may change as new information becomes available. For the purposes of assessing impairment pursuant to AASB 6: Exploration for and Evaluation of Mineral Resources, the calculation of recoverable amount, including estimated cash flows and determining discount rate, are the same as for producing and development assets disclosed above. The cash flow projections for the Crux Joint Operation (Crux JO) include assumptions on: joint venture partners progressing Crux through Final Investment Decision (FID), the expected production profile of reserves and resources, development cost (including input price escalation), inflation at 2.5 per cent, transferability of Petroleum Resource Rent Tax (PRRT) credits, a long-term oil price assumption of US\$60/bbl (2020: US\$60/bbl) has been used to estimate a long-term LNG price and post-tax discount rate of 7.9 per cent (2020: 9.0 per cent). It is possible a change in these assumptions, particularly when the project is seeking to progress through FID, which is currently expected to be in the next financial year, could result in an adjustment to the carrying value of the Crux JO.

## Movement in exploration and evaluation assets

|                                                 | 2021<br>\$m  | 2020<br>\$m  |
|-------------------------------------------------|--------------|--------------|
| <b>Carrying amount at beginning of the year</b> | <b>235.7</b> | <b>226.9</b> |
| Additions                                       | 3.3          | 8.8          |
| <b>Carrying amount at end of the year</b>       | <b>239.0</b> | <b>235.7</b> |
| At cost                                         | 239.0        | 241.4        |
| Accumulated impairment                          | –            | (5.7)        |
| <b>Total exploration and evaluation assets</b>  | <b>239.0</b> | <b>235.7</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. The Echuca Shoals WA-377P exploration permit was cancelled on 22 December 2020. The carrying value of WA-377P has been previously fully impaired and has now been written-off. The Group has submitted an application to the Responsible Authority for Good Standing which is being reviewed.

### Joint operation

The Group, through its wholly-owned subsidiary SGH Energy WA Pty Ltd, is party to the Crux AC/RL9 oil and gas joint operation. The Group has disclosed its interests in the following permits:

| Petroleum exploration<br>permit/licence | Principal activities    | Operator of joint operation | UNINCORPORATED<br>INTEREST |           |
|-----------------------------------------|-------------------------|-----------------------------|----------------------------|-----------|
|                                         |                         |                             | 2021<br>%                  | 2020<br>% |
| AC/RL9                                  | Oil and gas exploration | Shell Australia Pty Ltd     | 15.0                       | 15.0      |

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 JO commenced Front-End Engineering Design (FEED) which was completed during the financial year and the Crux JO is preparing for FID. The Group continues to work with Shell as Operator and fellow Crux AC/RL9 joint operation partners in progressing the project through FID.

The Crux JO has been assessed for impairment under AASB 6: Exploration for and Evaluation of Mineral Resources at 30 June 2021 and no impairment has been recognised.

Contingent liabilities in respect of joint venture operations are detailed in Note 28: Contingent Liabilities. Exploration expenditure commitments and capital commitments in respect of joint operations are detailed in Note 29: Commitments.

# Operating Assets and Liabilities

## 16. Intangible assets

### Accounting policy

#### Distribution networks

The distribution networks of the Group are considered by the Directors to be identifiable intangible assets.

The Directors are of the opinion that the distribution networks have an indefinite useful life, and as such the distribution networks are not subject to amortisation but rather are tested annually for impairment or more frequently if events or changes in circumstances indicate impairment. The basis for the classification of indefinite life is that the dealership agreements do not require specific renewal over set intervals thus the distribution rights continue uninterrupted unless a cause to terminate is triggered.

#### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/equity accounted investee at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of equity accounted investees is included in investments accounted for using the equity method.

Goodwill is not amortised, but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to CGUs (or groups of CGUs) for the purpose of impairment testing. Each of those CGUs (or groups of CGUs) represents the Group's investment in each country of operation by each operating segment.

#### Brand names

Brand names have been assessed as having an indefinite useful life and as a result are not amortised. Instead, brand names are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and are carried at cost less accumulated impairment losses.

#### Impairment of intangible assets

Goodwill and intangible assets that have an indefinite life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less cost of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses are recognised in profit or loss unless the asset has previously been revalued, in which case the impairment is recognised as a reversal to the extent of that previous revaluation with any excess recognised in profit or loss.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

### Dependency on key suppliers

WesTrac is dependent on Caterpillar to maintain its authorisation as an authorised dealer of Caterpillar equipment and parts in Western Australia and New South Wales/Australian Capital Territory. WesTrac has maintained a strong relationship with Caterpillar and although WesTrac expects this relationship to continue, as is customary in dealer agreements with Caterpillar, the dealer agreement can be terminated by either party upon 90 days notice at any time. Refer to Risk Factors Associated with SGH on pages 38 to 43 of the Annual Report.

The Group is dependent on Caterpillar for timely supply of equipment and parts from their global manufacturing factories and distribution warehouses. During periods of intense demand or in the event of disruption to Caterpillar's business there may be delays in the supply of equipment and parts to WesTrac. This has not in the past proven to be an impediment to WesTrac.

Management judgement is required to estimate the impact of the loss of key suppliers on future earnings, supporting existing goodwill and intangible assets.

### Impairment of intangible assets

In accordance with AASB 136: Impairment of Assets, the recoverable amount of assets is the greater of its value-in-use and its fair value less cost of disposal. In the absence of quoted market prices, an asset's value-in-use or fair value less cost of disposal is calculated by estimating the present value of future cash flows using an asset specific discount rate. These calculations also require the use of assumptions regarding profit margins, growth rates, discount rates and customer behaviour.

### COVID-19

The impact of COVID-19 has been reflected in cash flow forecasts and discount rates used in impairment testing where relevant. In the case of Coates, the discount rate has been increased by 1 per cent (2020: 2 per cent) to reflect risk of potential further COVID-19 disruption to retail operations, including from Government imposed shut downs. The risk adjustment has been reduced in 2021 to reflect expected COVID-19 mitigation from vaccine rollout. To date, COVID-19 has not had a material impact on the recoverable amount of intangible assets.

## Movement in intangible assets

|                                                       | Goodwill<br>\$m | Distribution<br>network<br>\$m | Brand<br>names<br>\$m | Other <sup>(a)</sup><br>\$m | Total<br>\$m   |
|-------------------------------------------------------|-----------------|--------------------------------|-----------------------|-----------------------------|----------------|
| <b>YEAR ENDED 30 JUNE 2021</b>                        |                 |                                |                       |                             |                |
| <b>Carrying amount at beginning of the year</b>       | <b>1,145.4</b>  | <b>324.7</b>                   | <b>126.4</b>          | <b>26.8</b>                 | <b>1,623.3</b> |
| Additions                                             | 1.2             | 4.1                            | –                     | 6.8                         | 12.1           |
| Amortisation                                          | –               | –                              | –                     | (8.0)                       | (8.0)          |
| Transfers                                             | (1.1)           | 1.1                            | –                     | –                           | –              |
| <b>Carrying amount at end of the year</b>             | <b>1,145.4</b>  | <b>329.9</b>                   | <b>126.4</b>          | <b>25.6</b>                 | <b>1,627.4</b> |
| At cost                                               | 1,145.5         | 329.9                          | 126.4                 | 52.6                        | 1,654.4        |
| Accumulated amortisation                              | –               | –                              | –                     | (27.0)                      | (27.0)         |
| <b>Total intangible assets</b>                        | <b>1,145.5</b>  | <b>329.9</b>                   | <b>126.4</b>          | <b>25.6</b>                 | <b>1,627.4</b> |
| <b>YEAR ENDED 30 JUNE 2020 (Restated<sup>^</sup>)</b> |                 |                                |                       |                             |                |
| <b>Carrying amount at beginning of the year</b>       | <b>1,145.4</b>  | <b>324.7</b>                   | <b>126.4</b>          | <b>26.3</b>                 | <b>1,622.8</b> |
| Additions                                             | –               | –                              | –                     | 5.5                         | 5.5            |
| Amortisation                                          | –               | –                              | –                     | (5.0)                       | (5.0)          |
| <b>Carrying amount at end of the year</b>             | <b>1,145.4</b>  | <b>324.7</b>                   | <b>126.4</b>          | <b>26.8</b>                 | <b>1,623.3</b> |
| At cost                                               | 1,145.4         | 324.7                          | 126.4                 | 45.8                        | 1,642.3        |
| Accumulated amortisation                              | –               | –                              | –                     | (19.0)                      | (19.0)         |
| <b>Total intangible assets</b>                        | <b>1,145.4</b>  | <b>324.7</b>                   | <b>126.4</b>          | <b>26.8</b>                 | <b>1,623.3</b> |

<sup>^</sup> Amounts have been restated. Refer to Note 1 for further detail.

(a) other intangibles includes the following finite lived intangibles; contracts from acquisition (useful life 5 years) and software (useful life 4–10 years).

# Operating Assets and Liabilities

## 16. Intangible assets (continued)

### Impairment of intangible assets

#### Impairment tests for goodwill, distribution network and brand names

Goodwill, distribution network and brand names costs are allocated to the Group's CGUs identified according to the appropriate operating segment.

A segment level summary of the allocation is presented below.

| YEAR ENDED 30 JUNE 2021                                     | Goodwill<br>\$m | Distribution<br>network<br>\$m | Brand<br>names<br>\$m | Total<br>\$m   |
|-------------------------------------------------------------|-----------------|--------------------------------|-----------------------|----------------|
| WesTrac                                                     | 95.6            | 327.9                          | –                     | 423.5          |
| Coates                                                      | 1,049.9         | 2.0                            | 126.4                 | 1,178.3        |
| <b>Total goodwill, distribution network and brand names</b> | <b>1,145.5</b>  | <b>329.9</b>                   | <b>126.4</b>          | <b>1,601.8</b> |

#### YEAR ENDED 30 JUNE 2020

|                                                             |                |              |              |                |
|-------------------------------------------------------------|----------------|--------------|--------------|----------------|
| WesTrac                                                     | 95.4           | 322.6        | –            | 418.0          |
| Coates                                                      | 1,050.0        | 2.1          | 126.4        | 1,178.5        |
| <b>Total goodwill, distribution network and brand names</b> | <b>1,145.4</b> | <b>324.7</b> | <b>126.4</b> | <b>1,596.5</b> |

#### Goodwill, distribution network and brand names

The recoverable amount is based on value-in-use calculations. These recoverable amount calculations use discounted cash flow projections based on financial budgets and forecasts approved by management. Cash flow projections utilised for value-in-use financial budgets cover a five year period with a terminal value.

Based on sensitivity analysis performed no reasonable change in these assumptions would give rise to an impairment.

#### Key assumptions used for value-in-use calculations

|         | 2021<br>Growth<br>rate <sup>(a)</sup><br>% | 2021<br>Discount<br>rate<br>(pre-tax) <sup>(b)</sup><br>% | 2020<br>Growth<br>rate <sup>(a)</sup><br>% | 2020<br>Discount<br>rate<br>(pre-tax) <sup>(b)</sup><br>% |
|---------|--------------------------------------------|-----------------------------------------------------------|--------------------------------------------|-----------------------------------------------------------|
| WesTrac | 2.00                                       | 11.28                                                     | 2.00                                       | 10.14                                                     |
| Coates  | 2.00                                       | 12.00                                                     | 2.00                                       | 11.92                                                     |

(a) the weighted average growth rate used to extrapolate cash flows beyond the budget or forecast period.

(b) the discount rates used reflect specific risks relating to the relevant segments and the countries in which they operate. The discount rate for Coates has been increased by 1 per cent (2020: 2 per cent) to reflect risk of potential further COVID-19 disruption to retail operations, partially mitigated by vaccine rollout.

## 17. Provisions

### Accounting policy

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required on settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### Restoration

A provision for restoration is recognised when there is a legal or constructive obligation to do so.

A corresponding restoration asset amount is created equivalent to the amount of the provision. The amount recognised is the estimated cost of restoration, discounted to its net present value. This is reassessed each year in accordance with local conditions and requirements. The Group's restoration provisions relate primarily to the Energy segment.

#### Other

A provision for restructuring is recognised when steps have been taken to implement a detailed plan, including discussions with affected personnel, with employee related costs recognised over the period of any required future service. An onerous contract is a contract in which the unavoidable cost of meeting the obligations under the contract exceeds the economic benefit expected to be received. A provision is raised in respect of onerous contracts.

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

#### Restoration

Management is required to make judgements regarding removal method, future legislation, reclamation activities required, engineering methodology for estimating costs, future removal technologies and discount rates to determine the present value of the cash flows. Actual costs and cash outflows can differ from current estimates as a result of changes in laws and regulations, public expectations, price discovery and analysis of site conditions and changes in clean up technology. Changes in the estimates of restoration cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to the restoration asset.

### Movement in provisions

|                                         | Restoration<br>\$m | Other<br>\$m | Total<br>\$m |
|-----------------------------------------|--------------------|--------------|--------------|
| <b>YEAR ENDED 30 JUNE 2021</b>          |                    |              |              |
| <b>Balance at beginning of the year</b> | <b>58.7</b>        | <b>38.3</b>  | <b>97.0</b>  |
| Amounts provided for                    | –                  | 7.6          | 7.6          |
| Amounts used                            | –                  | (5.4)        | (5.4)        |
| Write-back of provision                 | –                  | (2.1)        | (2.1)        |
| Unwind of discount                      | 3.1                | –            | 3.1          |
| <b>Balance at end of the year</b>       | <b>61.8</b>        | <b>38.4</b>  | <b>100.2</b> |
| Current                                 | 0.1                | 30.0         | 30.1         |
| Non-current                             | 61.7               | 8.4          | 70.1         |
| <b>Total provisions</b>                 | <b>61.8</b>        | <b>38.4</b>  | <b>100.2</b> |
| <b>YEAR ENDED 30 JUNE 2020</b>          |                    |              |              |
| <b>Balance at beginning of the year</b> | <b>55.8</b>        | <b>32.3</b>  | <b>88.1</b>  |
| Amounts provided for                    | –                  | 29.8         | 29.8         |
| Amounts used                            | –                  | (23.8)       | (23.8)       |
| Unwind of discount                      | 2.9                | –            | 2.9          |
| <b>Balance at end of the year</b>       | <b>58.7</b>        | <b>38.3</b>  | <b>97.0</b>  |
| Current                                 | 0.1                | 30.7         | 30.8         |
| Non-current                             | 58.6               | 7.6          | 66.2         |
| <b>Total provisions</b>                 | <b>58.7</b>        | <b>38.3</b>  | <b>97.0</b>  |

# Operating Assets and Liabilities

## 18. Employee benefits

### Accounting policy

#### Employee benefits

Employee benefits include provisions for annual leave and long service leave. The current provision for long service leave includes all unconditional entitlements where employees have completed the required service period and those where employees are entitled to pro-rata payments in certain circumstances. The majority of the amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months.

#### Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave due to be settled within 12 months of the reporting date are recognised in provisions in respect of employees services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

#### Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms of maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### Superannuation

The Group contributes to a superannuation fund which provides accumulated contribution plans. Contributions are charged against the profit or loss in the period to which they relate.

#### Share based payments

The fair value of options granted under the Company's cash-settled option plan is recognised as an employee benefit expense with a corresponding increase in liability. The expense and the liability incurred are measured at the fair value of the liability.

The fair value at grant date is independently determined using Black-Scholes and Binomial option pricing models that take into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity remeasures the fair value of the options, with any changes in value recognised in the profit or loss as a finance cost.

The fair value of equity-based entitlements settled in equity instruments is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is estimated at grant date and recognised over the period during which the employees become unconditionally entitled to the equity instrument.

The amount recognised as an expense is adjusted to reflect the actual number of entitlements that vest, except where forfeiture is only due to share prices not achieving the threshold for vesting.

|                                              | 2021<br>\$m | 2020<br>\$m |
|----------------------------------------------|-------------|-------------|
| <b>CURRENT</b>                               |             |             |
| Annual leave                                 | 43.9        | 43.5        |
| Long service leave                           | 45.8        | 43.2        |
| <b>Total employee benefits – current</b>     | <b>89.7</b> | <b>86.7</b> |
| <b>NON-CURRENT</b>                           |             |             |
| Long service leave                           | 6.7         | 7.2         |
| <b>Total employee benefits – non-current</b> | <b>6.7</b>  | <b>7.2</b>  |

#### Superannuation contributions

The Group makes contributions on behalf of employees to a defined contribution superannuation fund. The amount recognised as an expense was \$59.4 million (2020: \$57.3 million) for the year ended 30 June 2021.

#### Share based payments (equity settled)

The amounts recognised as an expense during the year was \$7.0 million (2020: \$4.2 million) and is included within employee benefits expense.

# Cash Management

## 19. Cash and cash equivalents

### Accounting policy

Bank balances includes cash on hand and deposits held at call with financial institutions. Call deposits include other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash.

|                                  | 2021<br>\$m  | 2020<br>\$m  |
|----------------------------------|--------------|--------------|
| Bank balances                    | 144.7        | 87.6         |
| Call deposits                    | 16.2         | 32.2         |
| <b>Cash and cash equivalents</b> | <b>160.9</b> | <b>119.8</b> |

## 20. Notes to the cash flow statement

|                                                                                                | 2021<br>\$m  | Restated^<br>2020<br>\$m |
|------------------------------------------------------------------------------------------------|--------------|--------------------------|
| <b>Reconciliation of profit for the year to net cash flows related to operating activities</b> |              |                          |
| <b>Profit for the year</b>                                                                     | <b>634.6</b> | <b>117.5</b>             |
| Income tax expense                                                                             | 128.1        | 113.6                    |
| Income taxes paid                                                                              | (111.7)      | (143.4)                  |
| Depreciation and amortisation:                                                                 |              |                          |
| Right of use assets                                                                            | 73.5         | 77.6                     |
| Property, plant and equipment                                                                  | 178.8        | 179.4                    |
| Producing and development assets                                                               | –            | 1.3                      |
| Intangible assets                                                                              | 8.0          | 5.0                      |
| Capitalised borrowing costs amortised                                                          | 4.2          | 3.0                      |
| Employee share movements in equity                                                             | 7.0          | 4.2                      |
| Gain on sale of property, plant and equipment                                                  | (10.5)       | (11.5)                   |
| Gain on sale of investments                                                                    | –            | (7.3)                    |
| (Impairment reversal)/impairment of equity accounted investee                                  | (92.9)       | 161.8                    |
| Impairment of producing and development asset                                                  | –            | 116.7                    |
| Share of results from equity accounted investees                                               | (239.4)      | (79.6)                   |
| Dividends received from equity accounted investees                                             | 13.0         | 13.8                     |
| Unwind of interest on convertible note                                                         | 8.8          | 7.9                      |
| Accrued investing flows for other investments                                                  | (58.1)       | (28.9)                   |
| Other                                                                                          | (3.8)        | 2.3                      |
| Movement in:                                                                                   |              |                          |
| Trade and other receivables                                                                    | (56.9)       | (72.5)                   |
| Inventories                                                                                    | 32.6         | (33.2)                   |
| Other assets                                                                                   | 20.6         | (31.0)                   |
| Trade and other payables and deferred income                                                   | 80.8         | 127.4                    |
| Provisions and employee benefits                                                               | 5.7          | 14.1                     |
| <b>Net operating cash flows</b>                                                                | <b>622.4</b> | <b>538.2</b>             |

^ Amounts have been restated. Refer to Note 1 for further detail.

## 21. Interest bearing loans and borrowings

### Accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities which are not incremental costs relating to the actual draw down of the facility, are recognised on a net basis against borrowings and amortised on a straight line basis over the term of the facility.

Borrowings are derecognised from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or any liabilities assumed, is recognised in other income or expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date.

# Cash Management

## 21. Interest bearing loans and borrowings (continued)

|                                                                   | 2021<br>\$m    | Restated <sup>^</sup><br>2020<br>\$m |
|-------------------------------------------------------------------|----------------|--------------------------------------|
| <b>CURRENT</b>                                                    |                |                                      |
| Interest bearing liabilities                                      | 697.5          | 13.8                                 |
| Fixed term US dollar notes                                        | 113.1          | 43.7                                 |
| Less: capitalised borrowing costs net of accumulated amortisation | (6.6)          | –                                    |
| <b>Total interest bearing loans and borrowings – current</b>      | <b>804.0</b>   | <b>57.5</b>                          |
| <b>NON-CURRENT</b>                                                |                |                                      |
| Interest bearing liabilities                                      | 450.1          | 1,556.6                              |
| Convertible notes                                                 | 313.2          | 304.3                                |
| Fixed term US dollar notes                                        | 844.1          | 573.4                                |
| Fair value adjustment - cross currency swaps                      | 29.5           | 70.6                                 |
| Less: capitalised borrowing costs net of accumulated amortisation | (8.5)          | (7.7)                                |
| <b>Total interest bearing loans and borrowings – non-current</b>  | <b>1,628.4</b> | <b>2,497.2</b>                       |

<sup>^</sup> Amounts have been restated. Refer to Note 1 for further detail.

At 30 June 2021, the Group had available undrawn borrowing facilities of \$1,936.1 million (2020: \$452.0 million). The Group also had access to a bridge facility for the purposes of the takeover of Boral to acquire an interest in all Boral shares not held by the Group. Refer below for further detail. The Group's interest bearing liabilities (including derivatives) as at 30 June 2021 had a weighted average interest rate of 3.9 per cent (2020: 3.4 per cent) including margins and unused line fees.

Details of the fair values of each of the borrowings as well as the Group's exposure to interest rate, foreign currency and liquidity risk related to interest bearing loans and borrowings is disclosed in Note 22: Financial Risk Management.

### Interest bearing liabilities - current

Current interest bearing liabilities relate to the Group's short-term working capital facilities, of which \$2.4 million is secured against property, the Group's facility with Caterpillar Financial Australia Limited (CFAL) of \$431.0 million and equity settled swaps of \$264.2 million. The Company's facility with CFAL is non-amortising and unsecured and was repaid in July 2021.

### Equity settled swaps

In April 2021, the Group entered into an equity settled swap for Boral shares of \$219.0 million and an equity settled swap for Beach shares of \$45.1 million. AASB 9: Financial Instruments does not apply to interests in associates accounted for using the equity method. The swaps mature in April 2022. Subsequent to balance date, the Group entered further equity settled swaps for acceptances and on-market purchases under the takeover offer for Boral. Refer to Note 30: Events subsequent to balance date for further detail.

### Bridge facility

On 10 May 2021, the Group entered a commitment for a bridge facility (Bridge facility) of up to \$6,200 million to support the takeover offer for Boral Limited to acquire an interest in all Boral shares not held by the Group. Subsequent to balance date, following satisfaction of conditions precedent under the facility agreement, the Bridge facility was first drawn on 13 July 2021. In total \$2,970 million was drawn under the facility post balance date. Refer to Note 30: Events subsequent to balance date for further detail. The initial term of this facility matures on 13 July 2022, with an option to extend to 13 September 2022.

### Interest bearing liabilities - non-current

Non-current interest bearing liabilities include amounts drawn from the Group's corporate syndicated loan facility, comprising two tranches A and B. The facility is unsecured and is supported by guarantees by the Company and certain subsidiaries within the Group. On 29 December 2020, the Group successfully concluded an amendment to Tranche A of the facility. The Tranche A limit increased to \$508.0 million, up from \$400.0 million, and the maturity extended to September 2024. Tranche A was further increased to \$558.0 million in February 2021. Tranche B provides a limit of \$900.0 million until September 2023. The amended facility is effective from 29 January 2021.

Non-current fixed term US dollar notes includes a US\$150.0 million and A\$230.0 million private placement completed in July 2020 across 7, 10 and 12 year tranches.

### Convertible notes

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 were issued on 5 March 2018 and obtained shareholder approval at the Company's 2018 Annual General Meeting. The Notes are listed on the Singapore Exchange and mature in March 2025 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 notes). Furthermore, the note holders have an early redemption option exercisable in January 2023. The fair value of the liability was calculated with reference to market interest rates for an equivalent corporate bond without a conversion feature. The total number of ordinary shares which will be issued if the convertible notes are converted is 14,607,680. As at 30 June 2021, no Notes had been converted.

### Fixed term US dollar notes

The US Private Placement notes are unsecured and are hedged by a combination of forward foreign exchange and cross currency swaps. The Group has issued notes denominated in US currency of US \$510.0 million (2020: US \$390.0 million). Series E (2011) and Series C (2020) was issued and is repayable in AUD. Interest is payable half-yearly in arrears.

The amount and maturity of the notes, including the effective hedge position, is summarised below:

| Notes    | Agreement | 2021<br>Amount<br>USD<br>\$m | 2021<br>Spot<br>amount<br>AUD<br>\$m | 2020<br>Amount<br>USD<br>\$m | 2020<br>Spot<br>amount<br>AUD<br>\$m | 2021<br>Hedged<br>amount<br>AUD<br>\$m | Interest rate<br>(incl. margin)<br>% | Maturity<br>date |
|----------|-----------|------------------------------|--------------------------------------|------------------------------|--------------------------------------|----------------------------------------|--------------------------------------|------------------|
| Series D | 2006      | –                            | –                                    | 30.0                         | 43.7                                 | 43.9                                   | 7.53%                                | 23 Aug 20        |
| Series E | 2006      | 85.0                         | 113.1                                | 85.0                         | 123.9                                | 125.2                                  | 7.56%                                | 23 Aug 21        |
| Series A | 2011      | 45.0                         | 59.8                                 | 45.0                         | 65.6                                 | 43.8                                   | 1.94%                                | 7 Jun 23         |
| Series B | 2011      | 55.0                         | 73.1                                 | 55.0                         | 80.1                                 | 53.6                                   | 1.91%                                | 7 Jul 23         |
| Series C | 2011      | 75.0                         | 99.8                                 | 75.0                         | 109.3                                | 73.1                                   | 2.00%                                | 7 Jun 26         |
| Series D | 2011      | 100.0                        | 133.0                                | 100.0                        | 145.7                                | 97.4                                   | 2.00%                                | 7 Jul 26         |
| Series E | 2011      | –                            | 48.8                                 | –                            | 48.8                                 | 48.8                                   | 7.96%                                | 7 Jul 41         |
| Series A | 2020      | 75.0                         | 99.8                                 | –                            | –                                    | 115.2                                  | 3.31%                                | 7 Jul 27         |
| Series B | 2020      | 75.0                         | 99.8                                 | –                            | –                                    | 115.2                                  | 3.49%                                | 7 Jul 21         |
| Series C | 2020      | –                            | 230.0                                | –                            | –                                    | 230.0                                  | 4.27%                                | 7 Jul 30         |
|          |           | <b>510.0</b>                 | <b>957.2</b>                         | <b>390.0</b>                 | <b>617.1</b>                         | <b>946.2</b>                           |                                      |                  |

Hedged amount above is principal payments converted at hedged forward exchange rates.

### Reconciliation of liabilities arising from financing activities

Changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes, are detailed below. 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><br>2020<br>\$m | Financing<br>cash flows<br>\$m | Effect of<br>exchange<br>rates<br>\$m | Other<br>\$m | 2021<br>\$m    |
|----------------------------------------------------|--------------------------------------|--------------------------------|---------------------------------------|--------------|----------------|
| <b>INTEREST BEARING LOANS AND BORROWINGS</b>       |                                      |                                |                                       |              |                |
| Interest bearing liabilities                       | 1,570.4                              | (713.4)                        | –                                     | 290.6        | 1,147.6        |
| Fixed term US dollar notes                         | 617.1                                | 416.5                          | (76.4)                                | –            | 957.2          |
| Convertible notes                                  | 304.3                                | –                              | –                                     | 8.9          | 313.2          |
| Capitalised borrowing costs                        | (7.7)                                | –                              | –                                     | (7.4)        | (15.1)         |
| Fair value adjustment                              | 70.6                                 | –                              | –                                     | (41.1)       | 29.5           |
| <b>Total interest bearing loans and borrowings</b> | <b>2,554.7</b>                       | <b>(296.9)</b>                 | <b>(76.4)</b>                         | <b>251.0</b> | <b>2,432.4</b> |
| <b>LEASE LIABILITIES</b>                           |                                      |                                |                                       |              |                |
| Lease liabilities                                  | 863.6                                | (56.3)                         | (0.5)                                 | 28.3         | 835.1          |
| <b>Total lease liabilities</b>                     | <b>863.6</b>                         | <b>(56.3)</b>                  | <b>(0.5)</b>                          | <b>28.3</b>  | <b>835.1</b>   |
| <b>Total</b>                                       | <b>3,418.3</b>                       | <b>(353.2)</b>                 | <b>(76.9)</b>                         | <b>279.3</b> | <b>3,267.5</b> |

<sup>^</sup> Amounts have been restated. Refer to Note 1 for further detail.

Refer to Note 12: Right of Use Assets and Lease Liabilities for further details on lease liabilities.

# Financial Assets and Liabilities

## 22. Financial risk management

### Overview

Risk management policies are established to identify and demonstrate that the Group understands and manages risk and seeks to ensure that there is consistency to the methods used in assessing, monitoring and communicating risks and that risk management efforts are aligned with the Group's strategic and business objectives.

The Group has exposure to the following risks through the normal course of its operations and from its use of financial instruments:

- (a) Market risk
- (b) Liquidity risk
- (c) Credit risk

The following presents information, both qualitative and quantitative, about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Board has established a sound system of risk oversight and management and internal control which includes the establishment of the Audit & Risk Committee. The Committee has been constituted with the function of assisting the Board to ensure that its corporate governance and oversight responsibilities are fulfilled in relation to risk management and compliance with applicable laws and regulations.

The Audit & Risk Committee is responsible for reviewing, evaluating and making recommendations to the Board in relation to:

- assessing the risk management, compliance and control environment as it relates to the external and internal audit plans;
- overseeing financial reporting; and
- evaluating internal and external audit.

At the reporting date the Group held the following financial instruments:

|                                                                                    | Note | 2021<br>\$m      | Restated <sup>^</sup><br>2020<br>\$m |
|------------------------------------------------------------------------------------|------|------------------|--------------------------------------|
| <b>Financial assets/(liabilities)</b>                                              |      |                  |                                      |
| Cash and cash equivalents                                                          | 19   | 160.9            | 119.8                                |
| Financial assets/(liabilities) carried at amortised cost                           |      |                  |                                      |
| Trade and other receivables                                                        | 8    | 832.3            | 775.4                                |
| Trade and other payables (excluding accruals)                                      | 9    | (411.8)          | (343.5)                              |
| Fixed term US dollar notes                                                         | 21   | (957.2)          | (617.1)                              |
| Fair value adjustment relating to US dollar notes                                  | 24   | (29.5)           | (70.6)                               |
| Convertible notes                                                                  | 21   | (313.2)          | (304.3)                              |
| Interest bearing loans and borrowings                                              | 21   | (1,147.6)        | (1,570.4)                            |
| Financial assets carried at fair value through other comprehensive income          |      |                  |                                      |
| Listed equity securities (excluding derivatives)                                   | 23   | 186.3            | 705.8                                |
| Unlisted equity securities                                                         | 23   | 250.2            | 147.8                                |
| Derivative financial instruments designated as cash flow hedges, fair value hedges |      |                  |                                      |
| Derivative financial assets                                                        | 24   | 148.6            | 208.1                                |
| Derivative financial liabilities                                                   | 24   | (65.8)           | (11.6)                               |
| <b>Total financial assets and financial liabilities</b>                            |      | <b>(1,346.8)</b> | <b>(960.6)</b>                       |

<sup>^</sup> Amounts have been restated. Refer to Note 1 for further detail.

### (a) Market risk

The Group is exposed to market risk through foreign exchange, interest rate, equity price and commodity price risk.

#### (i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group is exposed to fluctuations in foreign currency, predominantly in United States Dollar (USD).

The Group will seek to minimise exposure to foreign exchange risk by initially seeking contracts effectively denominated in AUD where possible. Where this is not possible the Group will manage foreign exchange risk as follows:

- in certain circumstances the Group invoices customers in USD. Where the Group invoices in USD it may seek to match the USD receipt with USD denominated vendor payments. As a result, an economic hedge is created by minimising exposure to changes in the AUD/USD exchange rate. Payments and receipts are made from and to the Group's USD denominated bank account.
- external forward contracts and options are used to manage foreign exchange risk. Contracts are entered into on a transaction by transaction basis to hedge specific purchases, sales or borrowings.

The Group's foreign exchange risk from recognised assets and liabilities arises primarily from WesTrac's long-term USD denominated borrowings (refer to Note 21: Interest Bearing Loans and Borrowings). The Group effectively hedges its long-term foreign denominated borrowings using a combination of designated forward exchange contracts and cross currency swaps. At times, the Group may choose to hold cash positions in USD to hedge against anticipated weakening in the AUD.

The financial statements for foreign Group entities that have a functional currency different from Australian Dollars are translated into Australian Dollars on consolidation in accordance with Note 1(E): Foreign Currency Translation. Exchange differences arising from the translation are taken to reserves and as such the individual account balances of these Group companies are excluded from the table below.

Excluding assets and liabilities for foreign Group entities translated in accordance with Note 1, the Group's exposure to foreign currency risk was as follows, based on notional amounts:

| FOREIGN CURRENCY RISK                 | 2021<br>US\$m | 2020<br>US\$m |
|---------------------------------------|---------------|---------------|
| Cash and cash equivalents             | 28.2          | 8.1           |
| Trade and other receivables           | 78.3          | 88.4          |
| Trade and other payables              | (56.7)        | (198.4)       |
| Borrowings                            | (510.0)       | (390.0)       |
| Unlisted equity securities            | 188.1         | 101.5         |
| Derivative financial instruments      | 63.4          | 137.7         |
| Closing exchange rates <sup>(a)</sup> | 0.7518        | 0.6863        |

(a) Closing rate per the Reserve Bank of Australia at 4pm (AEST) on 30 June 2021.

#### Sensitivity analysis

As at 30 June 2021, the closing AUD/USD exchange rate was 0.7518 (2020: 0.6863) as reported by the Reserve Bank of Australia. A foreign currency sensitivity of +/- five per cent has been selected and is considered reasonable given the historical AUD/USD exchange rates prevailing in the year ended 30 June 2021. During the year, the average AUD/USD exchange rate was 0.7468 (2020: 0.6714) and traded within a range of 0.6895 to 0.7970 (2020: 0.5571 to 0.7065).

At 30 June 2021, had the AUD/USD exchange rate moved by five per cent, with all other variables held constant, post tax profit/(loss) and equity would have been affected as illustrated in the table below:

| JUDGEMENT OF REASONABLY POSSIBLE MOVEMENTS | 2021<br>Profit/(loss)<br>\$m | 2021<br>Equity<br>\$m | 2020<br>Profit/(loss)<br>\$m | 2020<br>Equity<br>\$m |
|--------------------------------------------|------------------------------|-----------------------|------------------------------|-----------------------|
| AUD to USD +5%                             | (2.2)                        | (6.2)                 | 5.5                          | (6.1)                 |
| AUD to USD -5%                             | 2.4                          | 7.0                   | (6.1)                        | 6.8                   |

A sensitivity of five per cent is considered reasonable given the current level of prices and the volatility observed both on a historical basis and market expectations for future movements.

The Group's exposure to other foreign exchange movements is not material.

# Financial Assets and Liabilities

## 22. Financial risk management (continued)

### Overview (continued)

#### (ii) Interest rate risk

The Group's exposure to interest rate risk arises from AUD cash deposits and short to medium term borrowings which are at variable interest rates in AUD. Generally, long-term fixed rate borrowings are obtained in the USA and Australia, while shorter term variable borrowings are denominated in Australian currency and expose the Group to interest rate risk. The Group manages this risk by using derivative financial instruments including interest rate swaps and collars to hedge interest rate exposure.

As at 30 June 2021, 53 per cent (2020: 44 per cent) of the Group's total borrowings were subject to fixed interest rates or were effectively hedged with derivative financial instruments.

At 30 June 2021, the Group had the following mix of financial assets and liabilities exposed to Australian and United States variable interest rate risk.

|                              | 2021<br>\$m      | 2020<br>\$m      |
|------------------------------|------------------|------------------|
| <b>Financial assets</b>      |                  |                  |
| Cash and cash equivalents    | 144.6            | 87.6             |
|                              | <b>144.6</b>     | <b>87.6</b>      |
| <b>Financial liabilities</b> |                  |                  |
| Interest bearing liabilities | (1,232.3)        | (1,386.7)        |
|                              | <b>(1,232.3)</b> | <b>(1,386.7)</b> |

The following table shows the annualised impact on profit or loss and equity of interest bearing assets and liabilities if floating interest rates at balance date had been one per cent (100 basis points) higher or lower for the year, with all other variables held constant.

|                                                                                                                  | 2021<br>Profit/(loss)<br>\$m | 2021<br>Equity<br>\$m | 2020<br>Profit/(loss)<br>\$m | 2020<br>Equity<br>\$m |
|------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------|------------------------------|-----------------------|
| If interest rates were 1% (100 basis points) higher with all other variables held constant – increase/(decrease) | (7.5)                        | 0.4                   | (8.9)                        | 1.5                   |
| If interest rates were 1% (100 basis points) lower with all other variables held constant – increase/(decrease)  | 7.5                          | (0.4)                 | 8.9                          | (7.1)                 |

#### (iii) Equity price risk

Equity price risk refers to the risk that the value of a financial instrument or its associated cash flows will fluctuate due to changes in the underlying share prices.

The Group has exposure to equity price risk arising from its portfolio of listed equity securities. The Group utilises derivatives to hedge this exposure as well as to gain economic exposure to equity securities.

The Group may also be exposed to equity price risk through its holdings of listed investments accounted for using the equity method and as part of the Group's impairment assessment process.

The following table shows the impact on the profit or loss and equity of the Group if equity prices at balance date had been 20.0 per cent higher or lower, with all other variables held constant (2020: 20.0 per cent). A sensitivity of 20.0 per cent is considered reasonable given the current level of prices and the volatility observed both on a historical basis and market expectations for future movement.

|                                                                                              | 2021<br>Profit/(loss)<br>\$m | 2021<br>Equity<br>\$m | 2020<br>Profit/(loss)<br>\$m | 2020<br>Equity<br>\$m |
|----------------------------------------------------------------------------------------------|------------------------------|-----------------------|------------------------------|-----------------------|
| If share prices were 20% higher with all other variables held constant – increase/(decrease) | –                            | 45.4                  | –                            | 101.7                 |
| If share prices were 20% lower with all other variables held constant – increase/(decrease)  | –                            | (45.4)                | –                            | (101.7)               |

#### (iv) Commodity price risk

The Group has an operating interest in oil and gas assets located in Australia and the United States of America. These investments expose the Group to commodity price risk from fluctuations in the prices of oil, natural gas and other condensates and natural gas liquids (NGLs). The Group does not currently hedge its exposure to commodity price risk.

**(b) Liquidity risk**

Liquidity risk refers to the risk that the Group is unable to meet its financial commitments as and when they fall due.

The Group employs a prudent liquidity risk management approach. This involves maintaining a large amount of liquid reserves (cash deposits, listed shares and available credit lines) that can be drawn or sold at short notice to meet the Group's financial commitments. Management monitors the Group's ongoing cash flow requirements on a daily basis. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping credit lines available.

**Financing arrangements**

The Group had access to the following undrawn borrowing facilities at the reporting date:

|                                                                                                      | 2021<br>\$m    | 2020<br>\$m  |
|------------------------------------------------------------------------------------------------------|----------------|--------------|
| <b>FLOATING RATE</b>                                                                                 |                |              |
| Expiring within one year                                                                             | 496.2          | 277.0        |
| Expiring beyond one year                                                                             | 1,279.0        | 175.0        |
|                                                                                                      | <b>1,775.2</b> | <b>452.0</b> |
| <b>ADDITIONAL LIQUIDITY</b>                                                                          |                |              |
| Cash and cash equivalents                                                                            | 160.9          | 119.8        |
| Financial assets carried at fair value through other comprehensive income – listed equity securities | 186.3          | 705.8        |
| Unutilised short dated lines of credit                                                               | 7.2            | 7.2          |
|                                                                                                      | <b>354.4</b>   | <b>832.8</b> |

Subject to continued compliance with facility terms, the facilities may be drawn at any time. The average maturity for drawn facilities is 4.2 years (2020: 3.2 years) and 2.5 years (2020: 1.7 years) for undrawn facilities. In addition, the Group established a \$6.2 billion acquisition facility for the purpose of funding the Boral takeover offer. This facility was first drawn in July 2021.

**Maturities of financial liabilities**

The table below analyses the Group's financial liabilities (including derivative financial instruments) into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Gross cash flows include principal, coupon and premium (on put options) payments at contracted rates. The amounts disclosed are the contracted undiscounted cash flows.

|                                                  | Within<br>1 year<br>\$m | Between 1<br>and 2 years<br>\$m | Between 2<br>and 5 years<br>\$m | Over 5<br>years<br>\$m | Total<br>contractual<br>cash flows<br>\$m | Carrying<br>amount<br>\$m |
|--------------------------------------------------|-------------------------|---------------------------------|---------------------------------|------------------------|-------------------------------------------|---------------------------|
| <b>YEAR ENDED 30 JUNE 2021</b>                   |                         |                                 |                                 |                        |                                           |                           |
| Trade and other payables<br>(excluding accruals) | 411.0                   | 0.8                             | –                               | –                      | 411.8                                     | 411.8                     |
| Borrowings – variable rate                       |                         |                                 |                                 |                        |                                           |                           |
| – principal (including derivative)               | 265.3                   | 48.8                            | 572.3                           | 327.8                  | 1,214.2                                   | 1,164.1                   |
| – coupon interest and derivative                 | 27.6                    | 22.3                            | 44.4                            | 44.6                   | 138.9                                     | 1.5                       |
| Borrowings – fixed rate                          |                         |                                 |                                 |                        |                                           |                           |
| – principal (including derivative)               | 556.1                   | –                               | 350.0                           | 278.9                  | 1,185.0                                   | 1,182.5                   |
| – coupon interest and derivative                 | 32.2                    | 21.4                            | 56.5                            | 104.4                  | 214.5                                     | 0.2                       |
|                                                  | <b>1,292.2</b>          | <b>93.3</b>                     | <b>1,023.2</b>                  | <b>755.7</b>           | <b>3,164.4</b>                            | <b>2,760.1</b>            |
| <b>YEAR ENDED 30 JUNE 2020</b>                   |                         |                                 |                                 |                        |                                           |                           |
| Trade and other payables<br>(excluding accruals) | 343.0                   | 0.5                             | –                               | –                      | 343.5                                     | 343.5                     |
| Borrowings – variable rate                       |                         |                                 |                                 |                        |                                           |                           |
| – principal (including derivative)               | 13.3                    | 350.7                           | 767.7                           | 255.0                  | 1,386.7                                   | 1,257.5                   |
| – coupon interest and derivative                 | 18.8                    | 8.9                             | 11.7                            | 64.1                   | 103.5                                     | 4.0                       |
| Borrowings – fixed rate                          |                         |                                 |                                 |                        |                                           |                           |
| – principal (including derivative)               | 43.7                    | 604.9                           | 100.0                           | 394.1                  | 1,142.7                                   | 1,098.3                   |
| – coupon interest and derivative                 | 26.2                    | 21.0                            | 46.2                            | 69.4                   | 162.8                                     | (0.6)                     |
|                                                  | <b>445.0</b>            | <b>986.0</b>                    | <b>925.6</b>                    | <b>782.6</b>           | <b>3,139.2</b>                            | <b>2,702.7</b>            |

# Financial Assets and Liabilities

## 22. Financial risk management (continued)

### (c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables, cash and cash equivalents and investment securities.

The Group's maximum exposure to credit risk at the reporting date was:

|                                                  | Note | 2021<br>\$m    | Restated <sup>^</sup><br>2020<br>\$m |
|--------------------------------------------------|------|----------------|--------------------------------------|
| Cash and cash equivalents                        | 19   | 160.9          | 119.8                                |
| Trade and other receivables                      | 8    | 832.3          | 775.4                                |
| Listed equity securities (excluding derivatives) | 23   | 186.3          | 705.8                                |
| Unlisted equity securities                       | 23   | 250.2          | 147.8                                |
| Derivative financial instruments                 | 24   | 148.6          | 208.1                                |
|                                                  |      | <b>1,578.3</b> | <b>1,956.9</b>                       |

<sup>^</sup> Amounts have been restated. Refer to Note 1 for further detail.

The Group's and the Company's exposure to credit risk is predominately in Australia.

### Expected credit loss – trade receivables

The Group's exposure to credit risk and expected credit loss for trade receivables is outlined below. To date, COVID-19 has not had a material impact on the Group's assessment of expected credit losses, with days sales outstanding at 30 June 2021 being consistent with experience in prior periods. The current year allowance for impairment was increased by \$0.3 million in relation to COVID-19 risk for Coates' retail operations.

These receivables are past due but not impaired and relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follows:

|                                                          | 2021<br>\$m  | 2020<br>\$m  |
|----------------------------------------------------------|--------------|--------------|
| Past due 1-30 days                                       | 112.3        | 114.4        |
| Past due 31-60 days                                      | 19.3         | 15.1         |
| Past due 61-90 days                                      | 4.8          | 6.1          |
| > 91 days                                                | 10.2         | 10.1         |
| <b>Total trade receivables past due but not impaired</b> | <b>146.6</b> | <b>145.7</b> |

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

|                                                       |             |            |
|-------------------------------------------------------|-------------|------------|
| Balance at beginning of the year                      | 9.9         | 8.8        |
| Impairment loss recognised in profit or loss          | 2.9         | 3.4        |
| Receivables expensed as uncollectable during the year | (2.8)       | (2.2)      |
| Exchange differences                                  | –           | (0.1)      |
| <b>Balance at end of the year</b>                     | <b>10.0</b> | <b>9.9</b> |

In certain circumstances the Group enters into guarantees as part of ordinary trading operations. These guarantees are included within financial guarantees in Note 28: Contingent Liabilities.

### (d) Fair value measurements

#### Financial instruments measured at fair value

The fair value of:

- financial instruments traded in active markets are based on quoted market prices at the reporting date. The quoted market prices used for financial assets held by the Group are the closing bid prices for the assets. The Group has elected that the fair value adjustments on the Group's existing listed and unlisted equity securities will be recorded in other comprehensive income and not subsequently reclassified to profit or loss;
- forward foreign exchange contracts are determined using quoted forward exchange rates at the reporting date;
- interest rate swaps and collars and cross currency interest rate swaps are calculated using the present value of the estimated future cash flows of these instruments; and
- equity derivatives are calculated based on the closing bid price of the underlying equities.

### Financial instruments not measured at fair value

The interest rates used to discount estimated cash flows relating to the fixed term US dollar notes were 0.7 to 3.4 per cent (2020: 1.8 to 3.5 per cent) and are based on the government yield curve at the reporting date plus an adequate credit spread.

The interest rate used to discount estimated cash flows relating to other borrowings was 1.6 to 5.6 per cent (2020: 1.6 to 5.5 per cent).

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – fair value is estimated using quoted prices in active markets.

Level 2 – fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).

Level 3 – fair value is estimated using inputs for the asset or liability that are not based on observable market data.

|                                                         | Note | Level in fair value hierarchy | 2021 Carrying amount \$m | 2021 Fair value \$m | Restated^ 2020 Carrying amount \$m | Restated^ 2020 Fair value \$m |
|---------------------------------------------------------|------|-------------------------------|--------------------------|---------------------|------------------------------------|-------------------------------|
| <b>Financial assets measured at fair value</b>          |      |                               |                          |                     |                                    |                               |
| Listed equity securities (excluding derivatives)        | 23   | 1                             | 186.3                    | 186.3               | 705.8                              | 705.8                         |
| Unlisted equity securities                              | 23   | 3                             | 250.2                    | 250.2               | 147.8                              | 147.8                         |
| Forward foreign exchange contracts – used for hedging   | 24   | 2                             | 0.7                      | 0.7                 | 2.9                                | 2.9                           |
| Cross currency swaps – used for hedging                 | 24   | 2                             | 147.9                    | 147.9               | 205.2                              | 205.2                         |
|                                                         |      |                               | <b>585.1</b>             | <b>585.1</b>        | <b>1,062.7</b>                     | <b>1,062.7</b>                |
| <b>Financial assets not measured at fair value</b>      |      |                               |                          |                     |                                    |                               |
| Cash and cash equivalents                               | 19   | –                             | 160.9                    | 160.9               | 119.8                              | 119.8                         |
| Trade and other receivables                             | 8    | –                             | 832.3                    | 832.3               | 775.4                              | 775.4                         |
|                                                         |      |                               | <b>993.2</b>             | <b>993.2</b>        | <b>895.2</b>                       | <b>895.2</b>                  |
| <b>Financial liabilities measured at fair value</b>     |      |                               |                          |                     |                                    |                               |
| Forward foreign exchange contracts – used for hedging   | 24   | 2                             | 14.1                     | 14.1                | 2.4                                | 2.4                           |
| Cross currency swaps – used for hedging                 | 24   | 2                             | 50.2                     | 50.2                | 5.3                                | 5.3                           |
| Interest rate collars – used for hedging                | 24   | 2                             | 1.5                      | 1.5                 | 4.0                                | 4.0                           |
|                                                         |      |                               | <b>65.8</b>              | <b>65.8</b>         | <b>11.7</b>                        | <b>11.7</b>                   |
| <b>Financial liabilities not measured at fair value</b> |      |                               |                          |                     |                                    |                               |
| Trade and other payables (excluding accruals)           | 9    | –                             | 411.8                    | 411.8               | 343.5                              | 343.5                         |
| Fixed term US dollar notes                              | 21   | 2                             | 957.2                    | 1,080.5             | 617.1                              | 737.4                         |
| Fair value adjustment relating to US dollar notes       | 21   | –                             | 29.5                     | 29.5                | 70.6                               | 70.6                          |
| Convertible note                                        | 21   | 2                             | 313.2                    | 338.7               | 304.3                              | 302.5                         |
| Other borrowings                                        | 21   | 2                             | 1,147.6                  | 1,148.6             | 1,570.4                            | 1,590.9                       |
|                                                         |      |                               | <b>2,859.3</b>           | <b>3,009.1</b>      | <b>2,905.9</b>                     | <b>3,044.9</b>                |

^ Amounts have been restated. Refer to Note 1 for further detail.

There were no transfers between the fair value hierarchy levels during the year.

# Financial Assets and Liabilities

## 22. Financial risk management (continued)

### Valuation techniques – Level 3

#### Unlisted equity securities

Unlisted equity securities comprise of the Group's investment in an unlisted investment fund (investment fund), which is accounted for as a financial asset measured at fair value through other comprehensive income. Whilst this investment fund invests in both foreign listed and unlisted equity securities, the investment is not quoted in an active market and accordingly the fair value of this investment is included within Level 3 of the hierarchy.

Audited information is obtained from the investment fund regarding the fair value of the investment. The Group recognises any movement in the fair value of the investment in equity through the fair value reserve. The methodology followed by the investment fund in fair valuing its underlying investments is outlined below.

Under the market based method, the investment fund's manager determines comparable public companies (peers) based on industry size, leverage and strategy and calculates an appropriate trading multiple for each comparable company identified. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the investee company to measure the fair value.

#### Valuation process for Level 3 valuations

The valuation of unlisted equity is performed on a quarterly basis by the investment fund's manager and reviewed by their investment committee. The valuations are also subject to quality assurance procedures performed within the investment fund.

The investment fund manager verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to relevant documents and market information. In addition, the accuracy of the computation is tested. The latest valuation is also compared with the valuations in the four preceding quarters as well as with the valuations of the two preceding annual periods. If fair value changes (positive or negative) are more than certain thresholds set, the changes are further considered by the fund's investment committee.

The fund's investment committee considers the appropriateness of the valuation methods and inputs, and may request that alternate valuation methods are applied to support the valuations arising from the method chosen. Any changes in valuation methods are discussed and agreed with the investment partners.

The investment fund presents the valuation results on a quarterly basis to the Group. The report includes a discussion of the major assumptions used in the valuations, with an emphasis on the more significant investments and investments with fair value changes outside of the relevant thresholds set out above. The Group's investment committee regularly reviews this information and assesses the performance of the Group's investment.

#### Quantitative information on significant unobservable inputs – Level 3

| Description                 | Valuation technique | Unobservable input                    | 2021<br>Range | 2020<br>Range |
|-----------------------------|---------------------|---------------------------------------|---------------|---------------|
| Unlisted equity investments | P/E multiple        | Average P/E multiple of peers         | 45.5x         | 42.6x         |
|                             |                     | Discount for lack of liquidity        | 25%           | 25%           |
|                             | EV/sales multiple   | Average price/sales multiple of peers | 6.3x          | 2.9x          |
|                             |                     | Discount for lack of liquidity        | 10%           | 25%           |

#### Reconciliation – Level 3

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3.

|                                       | 2021<br>\$m  | 2020<br>\$m  |
|---------------------------------------|--------------|--------------|
| Balance at the beginning of the year  | 147.8        | 179.8        |
| Contributions, net of capital returns | (6.8)        | (2.7)        |
| Fair value gains/(losses)             | 109.2        | (29.3)       |
| <b>Balance at the end of the year</b> | <b>250.2</b> | <b>147.8</b> |

**(e) Master Netting or Similar Arrangements**

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not have any currently legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events. Accordingly, derivatives have been disclosed on a gross basis in the statement of financial position.

**(f) Capital management**

The Group manages its capital to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure while maximising shareholder value. As such, the Board regularly reviews the Group's capital structure in order to take advantage of favourable costs of capital and returns on assets.

The Company maintains a diversified capital base with a mixture of equity and debt funding.

The Group's dividend policy is to distribute cash from operating activities after financing costs, subject to the retention of adequate cash reserves to capitalise on investment opportunities. Dividends are franked to the greatest extent possible.

Refer to Note 27: Dividends for details of dividends paid and proposed but not provided for during the year.

# Financial Assets and Liabilities

## 23. Other financial assets

### Accounting policy

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income (FVTOCI) and amortised cost financial assets. The classification depends on the Group's business model for managing the financial asset as well as its contractual cash flow characteristics.

Management determines the classification of its investments at initial recognition. In the case of financial assets classified as FVTOCI, this designation is irrevocable.

### Financial assets at fair value through other comprehensive income

The Group's existing listed and unlisted equity securities have been designated as financial assets at fair value through other comprehensive income.

### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either financial assets held for trading which are acquired principally for the purpose of selling with the intention of making a profit or financial assets that are managed and have their performance regularly evaluated by management and the Directors on a fair value basis. Derivatives are also categorised as held for trading unless they are designated as hedges.

### Recognition and de-recognition

Regular purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

### Subsequent measurement

Financial assets at fair value through profit or loss and financial assets at FVTOCI are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category, are presented in the profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets is recognised in the profit or loss as other income.

Gains or losses arising from changes in the value of financial assets at FVTOCI category are taken to the fair value through OCI reserve. In accordance with AASB 9, any gain or losses realised on the sale of these assets remain in the fair value reserve rather than being transferred to the profit or loss.

|                                                   | 2021<br>\$m  | 2020<br>\$m  |
|---------------------------------------------------|--------------|--------------|
| <b>NON-CURRENT</b>                                |              |              |
| Listed equity securities                          | 186.3        | 705.8        |
| Unlisted equity securities                        | 250.2        | 147.8        |
| <b>Total other financial assets – non-current</b> | <b>436.5</b> | <b>853.6</b> |

Listed equity securities are designated as financial assets at FVTOCI in accordance with the Group's accounting policies. The carrying amounts are determined based on their quoted market price at 30 June 2021. Unlisted equity securities comprise of the Group's investments in an unlisted private equity media investment fund (refer also to Note 22: Financial Risk Management).

Dividends and distributions totalling \$11.1 million (2020: \$38.6 million) were received from the Group's financial assets at FVTOCI. A net gain of \$263.2 million was recognised in the fair value reserve on the transfer of the Group's investment in Boral from a listed equity security to an equity accounted investment. A net loss of \$5.2 million relating to disposals of listed equity securities was realised during the prior year. These gains and losses remain in the fair value through OCI reserve.

## 24. Derivative financial instruments

### Accounting policy

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

### Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance expenses, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in the profit or loss within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

### Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Amounts accumulated in other comprehensive income are recycled in the profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance expenses. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within sales. However, when the forecast transaction that is hedged results in the recognition of a non financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as a cost of goods sold in the case of inventory, or as depreciation in the case of property, plant and equipment.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

### Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

# Financial Assets and Liabilities

## 24. Derivative financial instruments (continued)

|                                                       | 2021<br>\$m   | Restated <sup>^</sup><br>2020<br>\$m |
|-------------------------------------------------------|---------------|--------------------------------------|
| <b>CURRENT ASSETS</b>                                 |               |                                      |
| Forward foreign exchange contracts – cash flow hedges | 0.7           | 2.9                                  |
|                                                       | <b>0.7</b>    | <b>2.9</b>                           |
| <b>NON-CURRENT ASSETS</b>                             |               |                                      |
| Cross currency swaps – cash flow hedges               | 101.8         | 133.5                                |
| Cross currency swaps – fair value hedges              | 46.1          | 71.7                                 |
|                                                       | <b>147.9</b>  | <b>205.2</b>                         |
| <b>CURRENT LIABILITIES</b>                            |               |                                      |
| Forward foreign exchange contracts – cash flow hedges | (14.1)        | (1.2)                                |
| Interest rate swaps and collars                       | (1.5)         | –                                    |
|                                                       | <b>(15.6)</b> | <b>(1.2)</b>                         |
| <b>NON-CURRENT LIABILITIES</b>                        |               |                                      |
| Forward foreign exchange contracts – cash flow hedges | –             | (1.1)                                |
| Cross currency swaps – cash flow hedges               | (33.6)        | (4.1)                                |
| Cross currency swaps – fair value hedges              | (16.6)        | (1.2)                                |
| Interest rate swaps and collars – cash flow hedges    | –             | (4.0)                                |
|                                                       | <b>(50.2)</b> | <b>(10.4)</b>                        |
| <b>Net derivative financial instruments</b>           | <b>82.8</b>   | <b>196.5</b>                         |

<sup>^</sup> Amounts have been restated. Refer to Note 1 for further detail.

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 from time to time to hedge the value of listed investments or to gain exposure to certain market sectors. Refer to Note 22: Financial Risk Management for further details.

### 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 and 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 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 US Dollars. The terms of these commitments are generally shorter than one year.

### Cross currency swaps

The Group has obligations to repay the principal and interest relating to USD denominated debt. The Group enters into cross currency swap contracts to hedge these obligations.

### Other derivatives

Other derivatives comprises 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.

At 30 June 2021, the Group held various types of derivative financial instruments that were designated as cash flow hedges of future forecast transactions. These were hedging of:

- future foreign currency operational payments by exchange derivative contracts (forwards);
- future foreign currency principal and coupon payments by exchange derivative contracts (forwards, swaps); or
- future interest payments by interest rate derivative contracts (swaps).

The effective portion of the cumulative net change in the value of derivative financial instruments designated as a cash flow hedge are included in the hedge reserve.

The periods in which the related cash flows are expected to occur are summarised below.

|                                                            | Within<br>1 year<br>\$m | Between<br>1 to 5 years<br>\$m | Over<br>5 years<br>\$m | Total<br>\$m |
|------------------------------------------------------------|-------------------------|--------------------------------|------------------------|--------------|
| <b>YEAR ENDED 30 JUNE 2021</b>                             |                         |                                |                        |              |
| <b>Contracts to hedge</b>                                  |                         |                                |                        |              |
| Future operational (sales and purchases)                   | (1.1)                   | –                              | –                      | (1.1)        |
| Future principal and interest on borrowings                | 2.1                     | 93.2                           | (7.6)                  | 87.7         |
| <b>Total net (loss)/gain included in the hedge reserve</b> | <b>1.0</b>              | <b>93.2</b>                    | <b>(7.6)</b>           | <b>86.6</b>  |

#### YEAR ENDED 30 JUNE 2020

|                                                     |            |             |             |              |
|-----------------------------------------------------|------------|-------------|-------------|--------------|
| <b>Contracts to hedge</b>                           |            |             |             |              |
| Future operational (sales and purchases)            | 1.4        | –           | –           | 1.4          |
| Future principal and interest on borrowings         | 0.2        | 43.4        | 80.9        | 124.5        |
| <b>Total net gain included in the hedge reserve</b> | <b>1.6</b> | <b>43.4</b> | <b>80.9</b> | <b>125.9</b> |

| HEDGE ACCOUNTING<br>YEAR ENDED 30 JUNE 2021                                                | Notional<br>amount<br>of hedging<br>instrument &<br>hedged item<br>\$m | Hedge<br>rates       | Carrying amount |                    | Change in<br>value<br>of hedging<br>instrument<br>\$m | Change in<br>value of<br>hedged item<br>\$m | Hedge<br>ineffect-<br>iveness<br>recognised<br>in profit<br>or loss<br>\$m | Amount<br>reclassified<br>from hedge<br>reserve to<br>profit or loss<br>\$m |
|--------------------------------------------------------------------------------------------|------------------------------------------------------------------------|----------------------|-----------------|--------------------|-------------------------------------------------------|---------------------------------------------|----------------------------------------------------------------------------|-----------------------------------------------------------------------------|
|                                                                                            |                                                                        |                      | Assets<br>\$m   | Liabilities<br>\$m |                                                       |                                             |                                                                            |                                                                             |
| <b>Cash flow hedges</b>                                                                    |                                                                        |                      |                 |                    |                                                       |                                             |                                                                            |                                                                             |
| Future operational (sales and purchases)<br>– up to 12 months (foreign exchange contracts) | AUD 113.3                                                              | AUD/USD<br>0.60–0.70 | 0.8             | (1.9)              | (1.2)                                                 | (1.2)                                       | –                                                                          | –                                                                           |
| Future principal and interest on USPP<br>– up to 12 months (foreign exchange contracts)    | AUD 129.0                                                              | AUD/USD<br>0.68      | 0.0             | (12.2)             | (11.3)                                                | (11.3)                                      | –                                                                          | 0.6                                                                         |
| Future principal and interest on USPP<br>– up to 5 years (cross currency swaps)            | AUD 267.9                                                              | AUD/USD<br>1.03      | 101.9           | –                  | (57.1)                                                | (64.8)                                      | –                                                                          | 10.1                                                                        |
| Future principal and interest on USPP<br>– up to 11 years (cross currency swaps)           | AUD 230.1                                                              | AUD/USD<br>0.65      | 0.0             | (34.6)             | (44.9)                                                | (46.8)                                      | –                                                                          | –                                                                           |
| Future interest on floating rate debt<br>– up to 12 months                                 | AUD 100.0                                                              | COLLAR<br>1.5%–2.5%  | 0.0             | (1.1)              | 1.1                                                   | 1.1                                         | –                                                                          | –                                                                           |
| Future interest on floating rate debt<br>– up to 12 months                                 | AUD 50.0                                                               | COLLAR<br>1.57%–2.5% | 0.0             | (0.4)              | 0.7                                                   | 0.7                                         | –                                                                          | –                                                                           |
| <b>Fair value hedge</b>                                                                    |                                                                        |                      |                 |                    |                                                       |                                             |                                                                            |                                                                             |
| Future principal and interest on USPP<br>– up to 5 years (cross currency swaps)            | AUD 267.9                                                              | AUD/USD<br>1.03      | 0.0             | (46.1)             | 26.2                                                  | 26.6                                        | 0.2                                                                        | –                                                                           |
| Future principal and interest on USPP<br>– up to 11 years (cross currency swaps)           | AUD 230.1                                                              | AUD/USD<br>0.65      | 16.6            | –                  | 10.9                                                  | 11.3                                        | (1.0)                                                                      | –                                                                           |

# Capital Structure

## 25. Capital

### Accounting policy

#### Contributed equity

Ordinary shares, convertible notes and other equity securities are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in other comprehensive income and presented as contributed equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs is recognised as a deduction from equity.

#### Treasury shares

Treasury shares consist of shares held in trust for the Group's executives in relation to employee equity benefits.

|                                                             | 2021<br>\$m    | 2020<br>\$m    |
|-------------------------------------------------------------|----------------|----------------|
| <b>CONTRIBUTED EQUITY</b>                                   |                |                |
| 363,260,588 ordinary shares, fully paid (2020: 339,357,656) | 3,382.2        | 2,858.7        |
| Convertible notes, fully paid                               | 31.7           | 31.7           |
| 386,913 treasury shares, fully paid (2020: 810,884)         | (8.7)          | (12.0)         |
| <b>Balance at end of the year</b>                           | <b>3,405.2</b> | <b>2,878.4</b> |
| <b>MOVEMENT IN ORDINARY SHARES</b>                          |                |                |
| Balance at beginning of year                                | 2,858.7        | 2,858.7        |
| Shares issued during the year                               | 523.5          | –              |
| <b>Balance at end of the year</b>                           | <b>3,382.2</b> | <b>2,858.7</b> |
| <b>MOVEMENT IN TREASURY SHARES</b>                          |                |                |
| Balance at beginning of year                                | (12.0)         | (7.0)          |
| Shares vested and transferred to employee                   | 12.0           | 4.5            |
| On-market share acquisition                                 | (8.7)          | (9.5)          |
| <b>Balance at end of the year</b>                           | <b>(8.7)</b>   | <b>(12.0)</b>  |

The Company does not have authorised share capital or par value in respect of its issued shares. All issued shares are fully paid. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds on liquidation.

During the year, the Company conducted an equity raise via a fully underwritten placement offer of ordinary shares to institutions (Placement) and a non-underwritten Share Purchase Plan (SPP) to eligible retail shareholders. Gross proceeds of \$533.1 million were received from the equity raise, with \$500.0 million from the Placement and \$33.1 million from the SPP. The shares are fully paid and rank equally with existing 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 in March 2025 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 notes). 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 14,607,680. At 30 June 2021, no Notes had been converted. The Notes are fully paid and are preferenced to ordinary shares in the event of winding up. The Notes have no voting rights.

#### Treasury shares

The Company acquired 0.4 million shares on market for \$8.7 million (2020: 0.7 million shares for \$9.5 million) to satisfy employee share scheme obligations in future periods.

## 26. Reserves

### Nature and purpose of reserves

|                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Acquisitions reserve</i>                 | The acquisitions reserve is used to record the difference between the fair value of consideration paid for the non-controlling interest of subsidiaries and the book value of those subsidiaries' share of net assets at date of acquisition.                                                                                                                                                                                                                       |
| <i>Employee equity benefits reserve</i>     | The employee equity benefits reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration.                                                                                                                                                                                                                                                                                                              |
| <i>Common control reserve</i>               | The acquisition of WesTrac Group by the Company during the period ended 30 June 2010 was accounted for as a common control transaction. As a consequence, the difference between the fair value of the consideration paid and the existing book values of assets and liabilities of the WesTrac Group was debited to a common control reserve. Upon disposal of all interests in WesTrac Group by the Group this reserve would be transferred to retained earnings. |
| <i>Hedge reserve</i>                        | The hedge reserve records the effective portion of the cumulative net change in fair value of hedging instruments related to cash flow hedged transactions that have not yet occurred.                                                                                                                                                                                                                                                                              |
| <i>Fair value through OCI reserve</i>       | The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income under AASB 9. The net change in the fair value of financial assets measured at fair value through other comprehensive income (FVTOCI) will be shown in this reserve and not be subsequently reclassified to profit or loss.                                                                                                  |
| <i>Foreign currency translation reserve</i> | The foreign currency translation reserve records the foreign currency differences arising from the translation reserve translation of the financial statements of foreign operations.                                                                                                                                                                                                                                                                               |

|                                                                        | Acquis-<br>itions<br>reserve<br>\$m | Employee<br>equity<br>benefits<br>reserve<br>\$m | Common<br>control<br>reserve<br>\$m | Hedge<br>reserve<br>\$m | Fair value<br>through<br>OCI<br>reserve<br>\$m | Foreign<br>currency<br>translation<br>reserve<br>\$m | Total<br>\$m   |
|------------------------------------------------------------------------|-------------------------------------|--------------------------------------------------|-------------------------------------|-------------------------|------------------------------------------------|------------------------------------------------------|----------------|
| <b>YEAR ENDED 30 JUNE 2021</b>                                         |                                     |                                                  |                                     |                         |                                                |                                                      |                |
| <b>As at 1 July 2020</b>                                               | <b>(63.5)</b>                       | <b>9.4</b>                                       | <b>(642.6)</b>                      | <b>(25.9)</b>           | <b>(87.4)</b>                                  | <b>21.4</b>                                          | <b>(788.6)</b> |
| Fair value movement on financial assets measured at FVTOCI             | –                                   | –                                                | –                                   | –                       | 311.7                                          | –                                                    | 311.7          |
| Deferred tax effect of net gain on financial assets measured at FVTOCI | –                                   | –                                                | –                                   | –                       | (93.2)                                         | –                                                    | (93.2)         |
| Net gain on cash flow hedges                                           | –                                   | –                                                | –                                   | 7.3                     | –                                              | –                                                    | 7.3            |
| Tax effect of net gain on cash flow hedges                             | –                                   | –                                                | –                                   | (6.3)                   | –                                              | –                                                    | (6.3)          |
| Movement in reserves of equity accounted investees                     | –                                   | 2.4                                              | –                                   | 0.3                     | –                                              | (28.1)                                               | (25.4)         |
| Currency translation differences                                       | –                                   | –                                                | –                                   | –                       | –                                              | (0.3)                                                | (0.3)          |
| Share based payments                                                   | –                                   | 7.0                                              | –                                   | –                       | –                                              | –                                                    | 7.0            |
| Share based payment options settled                                    | –                                   | (12.0)                                           | –                                   | –                       | –                                              | –                                                    | (12.0)         |
| <b>As at 30 June 2021</b>                                              | <b>(63.5)</b>                       | <b>6.8</b>                                       | <b>(642.6)</b>                      | <b>(24.6)</b>           | <b>131.1</b>                                   | <b>(7.0)</b>                                         | <b>(599.8)</b> |

### YEAR ENDED 30 JUNE 2020

|                                                                        |               |            |                |               |                |             |                |
|------------------------------------------------------------------------|---------------|------------|----------------|---------------|----------------|-------------|----------------|
| <b>As at 1 July 2019</b>                                               | <b>(63.5)</b> | <b>8.8</b> | <b>(642.6)</b> | <b>(28.0)</b> | <b>(112.4)</b> | <b>21.6</b> | <b>(816.1)</b> |
| Fair value movement on financial assets measured at FVTOCI             | –             | –          | –              | –             | 18.9           | –           | 18.9           |
| Deferred tax effect of net gain on financial assets measured at FVTOCI | –             | –          | –              | –             | (5.6)          | –           | (5.6)          |
| Net gain on cash flow hedges                                           | –             | –          | –              | 2.8           | –              | –           | 2.8            |
| Tax effect of net gain on cash flow hedges                             | –             | –          | –              | (0.9)         | –              | –           | (0.9)          |
| Movement in reserves of equity accounted investees                     | –             | 0.9        | –              | 0.2           | 11.7           | (3.8)       | 9.0            |
| Currency translation differences                                       | –             | –          | –              | –             | –              | 3.6         | 3.6            |
| Share based payments                                                   | –             | 4.2        | –              | –             | –              | –           | 4.2            |
| Share based payment options settled                                    | –             | (4.5)      | –              | –             | –              | –           | (4.5)          |
| <b>As at 30 June 2020</b>                                              | <b>(63.5)</b> | <b>9.4</b> | <b>(642.6)</b> | <b>(25.9)</b> | <b>(87.4)</b>  | <b>21.4</b> | <b>(788.6)</b> |

# Capital Structure

## 27. Dividends

| YEAR ENDED 30 JUNE 2021                                                        | Date of payment | Franked/unfranked | Amount per share | Total \$m    |
|--------------------------------------------------------------------------------|-----------------|-------------------|------------------|--------------|
| <b>DIVIDENDS PAID</b>                                                          |                 |                   |                  |              |
| <b>Ordinary shares</b>                                                         |                 |                   |                  |              |
| Final dividend in respect of 2020 year                                         | 13 Oct 20       | Franked           | \$0.21           | 71.3         |
| Interim dividend                                                               | 20 Apr 21       | Franked           | \$0.23           | 78.0         |
|                                                                                |                 |                   |                  | <b>149.3</b> |
| <b>Subsequent event</b>                                                        |                 |                   |                  |              |
| Current period final dividend on ordinary shares proposed but not provided for |                 |                   |                  |              |
| <b>Ordinary shares</b>                                                         |                 |                   |                  |              |
| Final dividend in respect of 2021 year                                         | 29 Oct 21       | Franked           | \$0.23           | 83.5         |
| <b>Balance of franking account at 30%</b>                                      |                 |                   |                  | <b>205.4</b> |
| <b>YEAR ENDED 30 JUNE 2020</b>                                                 |                 |                   |                  |              |
| <b>DIVIDENDS PAID</b>                                                          |                 |                   |                  |              |
| <b>Ordinary shares</b>                                                         |                 |                   |                  |              |
| Final dividend in respect of 2019 year                                         | 11 Oct 19       | Franked           | \$ 0.21          | 71.3         |
| Interim dividend                                                               | 20 Apr 20       | Franked           | \$ 0.21          | 71.2         |
|                                                                                |                 |                   |                  | <b>142.5</b> |
| <b>Ordinary shares</b>                                                         |                 |                   |                  |              |
| Final dividend in respect of 2020 year                                         | 13 Oct 20       | Franked           | \$ 0.21          | 71.3         |
| <b>Balance of franking account at 30%</b>                                      |                 |                   |                  | <b>154.7</b> |

The balance of the dividend franking account as at the reporting date has been adjusted for:

- franking credits/debits that will arise from the payment/refund of current tax liabilities;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
- franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the reporting date; and
- franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by \$35.8 million (2020: \$30.5 million).

# Unrecognised Items

## 28. Contingent liabilities

The nature of the Group's and equity accounted investees' activities are such that, from time to time, claims are received or made by the Group. The Directors are of the opinion that no claims are expected to have a material adverse effect on the financial statements of the Group and as such do not require disclosure as a contingent liability.

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

#### Environmental risk and regulation

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

|                                     | 2021<br>\$m  | 2020<br>\$m  |
|-------------------------------------|--------------|--------------|
| <b>CONTINGENT LIABILITIES</b>       |              |              |
| Performance guarantees              | 99.8         | 109.3        |
| Financial guarantees                | 40.8         | 44.7         |
| <b>Total contingent liabilities</b> | <b>140.6</b> | <b>154.0</b> |

#### Performance guarantees

Performance guarantees relate to guarantees provided to customers in support of equipment and contract performance.

#### Financial guarantees

The Group has issued a number of financial guarantees to third parties for various operational and financing purposes. To the extent that the Directors expect these third party guarantees to be called upon, a provision has been recorded in the consolidated statement of financial position as at 30 June 2021.

The Group has entered into a number of financial guarantees in relation to subsidiary debt facilities and other financing arrangements. The drawn amount of these facilities are recorded as interest bearing liabilities in the consolidated statement of financial position and disclosed in Note 21: Interest Bearing Loans and Borrowings.

#### Indemnities

Subsequent to year end, the Company has provided a limited indemnity in relation to potential claims on Directors of acquired subsidiaries prior to them becoming part of the Group. This obligation has been partially insured.

# Unrecognised Items

## 29. Commitments

|                                                                                                                               | 2021<br>\$m  | 2020<br>\$m |
|-------------------------------------------------------------------------------------------------------------------------------|--------------|-------------|
| <b>Capital expenditure commitments</b>                                                                                        |              |             |
| <b>Payable:</b>                                                                                                               |              |             |
| Not later than one year                                                                                                       | 173.1        | 53.1        |
| Later than one year but not later than five years                                                                             | –            | 5.0         |
|                                                                                                                               | <b>173.1</b> | <b>58.1</b> |
| <b>Exploration expenditure commitments</b>                                                                                    |              |             |
| <b>Payable:</b>                                                                                                               |              |             |
| Not later than one year                                                                                                       | 5.3          | 0.9         |
| Later than one year but not later than five years                                                                             | 18.7         | 20.0        |
|                                                                                                                               | <b>24.0</b>  | <b>20.9</b> |
| The above commitments include exploration expenditure commitments relating to joint venture operations in relation to AC/RL9: |              |             |
| Not later than one year                                                                                                       | 5.3          | 0.9         |
|                                                                                                                               | <b>5.3</b>   | <b>0.9</b>  |
| <b>Other commitments</b>                                                                                                      |              |             |
| <b>Payable:</b>                                                                                                               |              |             |
| Not later than one year                                                                                                       | <b>3.1</b>   | <b>3.4</b>  |

Exploration expenditure commitments relate to commitments for exploration permits WA-377P (cancelled 22 December 2020) and relating to joint operations for Crux AC/RL9. Estimates for future exploration expenditure commitments are based on estimated well and seismic costs which will change as actual drilling location and seismic surveys are organised and are determined in current dollars on an undiscounted basis. The exploration and evaluation obligations may vary significantly as a result of renegotiations with relevant parties, including regulators in relation to any Good Standing agreement on expired or cancelled permits.

Other commitments includes the Group's commitment to invest in an unlisted investment fund.

### 30. Events subsequent to balance date

Other than as outlined below, there has not arisen in the interval between 30 June 2021 and the date of this Report any other event that would have had a material effect on the Financial Statements as at 30 June 2021.

#### Boral Limited

On 10 May 2021, Network Investment Holdings Pty Limited, a wholly owned subsidiary of the Group, announced a conditional takeover offer of \$6.50 per share for all the shares of Boral Limited, an international building products and construction materials group, listed on the ASX. The offer became unconditional on 22 June 2021. As at 30 June 2021, the Group's interest in Boral, including acceptances under the offer was 26.08 per cent. Refer to Note 11: Investments accounted for using the equity method for further detail.

Subsequent to year end, on 1 July 2021 the Group's relevant interest in Boral exceeded 29.5 per cent resulting in an increase in the offer to \$7.30 per share. On 6 July 2021 the Group's relevant interest in Boral exceeded 34.5 per cent, resulting in a further increase in the offer to \$7.40 per share and the offer was declared final.

On 15 July 2021, the Group's voting interest in Boral exceeded 50 per cent resulting in an automatic extension of the offer to 29 July 2021.

Following the close of the offer on 29 July 2021, the Group's relevant interest in Boral was 69.6 per cent. Total consideration for Boral shares acquired under the bid was \$3,597.4 million, with \$231.1 million funded by equity settled swap and \$2,970.0 million funded by draw down on a new Bridge facility maturing 13 July 2022. Refer to Note 21: Interest bearing loans and borrowings for further detail.

The Group obtained control of Boral under AASB 3: Business Combinations in July 2021. Due to the date of the close of the offer subsequent to year end, the initial accounting for the business combination is incomplete at the time the financial statements are authorised for issue and it was impractical for the Group to obtain the information required to make other disclosures required by AASB 3: Business Combinations.

#### Caterpillar Finance Australia Limited and USPP

On 15 July 2021, the Group repaid the \$431 million facility with Caterpillar Finance Australia Limited. On 23 August 2021, the Group repaid a US\$85 million (A\$113.1 million) tranche of the USPP notes and issued \$75 million in fixed term Australian dollar notes maturing in August 2031.

#### Listed investments

Subsequent to year end, the Group disposed of a substantial portion of its listed equity securities, reducing the value of the listed investment portfolio by \$120 million and redeploying this capital into the Boral bid.

#### Movement in share prices of listed investments

Subsequent to year 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 financial report. The market value of listed investments at 24 August 2021 compared to their market value at 30 June 2021 is outlined below.

|                                                          | Market value             |                        |
|----------------------------------------------------------|--------------------------|------------------------|
|                                                          | 24 August<br>2021<br>\$m | 30 June<br>2021<br>\$m |
| Listed equity securities                                 | 62.9                     | 186.3                  |
| Listed investments accounted for using the equity method | 5,978.3                  | 3,328.7                |
| <b>Total listed investments</b>                          | <b>6,041.2</b>           | <b>3,515.0</b>         |

# Group Structure

## 31. Parent entity disclosures

As at and throughout the year ended 30 June 2021 the parent company of the Group was Seven Group Holdings Limited.

The individual financial statements for the parent entity show the following aggregate amounts.

|                                                               | COMPANY        |                |
|---------------------------------------------------------------|----------------|----------------|
|                                                               | 2021<br>\$m    | 2020<br>\$m    |
| <b>Financial position of parent entity at end of the year</b> |                |                |
| Current assets                                                | 1,332.4        | 746.2          |
| Total assets                                                  | 4,425.1        | 3,852.9        |
| Current liabilities                                           | 467.4          | 32.8           |
| Total liabilities                                             | 785.8          | 764.5          |
| <b>Total equity of the parent entity comprising of:</b>       |                |                |
| Contributed equity                                            | 3,405.2        | 2,878.4        |
| Reserves                                                      | 6.5            | 11.4           |
| Retained earnings                                             | 227.6          | 198.6          |
| <b>Total shareholders equity</b>                              | <b>3,639.3</b> | <b>3,088.4</b> |
| <b>Result of the parent entity</b>                            |                |                |
| Profit for the year                                           | 178.3          | 162.6          |
| <b>Total comprehensive income for the year</b>                | <b>178.3</b>   | <b>162.6</b>   |
| <b>Other information</b>                                      |                |                |
| Contingent liabilities of the parent entity <sup>(a)</sup>    | 131.5          | 146.0          |

(a) relates to financial guarantees provided to third parties by the parent entity for subsidiary debt facilities and other financing arrangements. These facilities are held by entities that are outside of the Deed of Cross Guarantee disclosed in Note 32: Controlled Entities.

### Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of certain of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in Note 32: Controlled Entities.

In addition to the contingent liabilities shown above, the parent entity guarantees a number of debt facilities held by various controlled entities who are part of the Deed of Cross Guarantee.

## 32. Controlled entities

|                                               | Notes | Country of<br>incorporation | OWNERSHIP INTEREST |           |
|-----------------------------------------------|-------|-----------------------------|--------------------|-----------|
|                                               |       |                             | 2021<br>%          | 2020<br>% |
| PARENT ENTITY                                 |       |                             |                    |           |
| Seven Group Holdings Limited                  | (a)   | Australia                   |                    |           |
| SUBSIDIARIES                                  |       |                             |                    |           |
| All Hire Pty Limited                          |       | Australia                   | 100                | 100       |
| Allight Holdings Pty Limited                  | (a)   | Australia                   | 100                | 100       |
| AllightSykes New Zealand Limited              |       | New Zealand                 | 100                | 100       |
| AllightPrimax FZCO                            |       | UAE                         | 100                | 100       |
| AllightSykes Pty Limited                      | (a)   | Australia                   | 100                | 100       |
| AllightSykes SA (Proprietary) Limited         |       | South Africa                | 100                | 100       |
| Allplant Services Pty Limited                 |       | Australia                   | 100                | 100       |
| Australian Highway Plant Services Pty Limited |       | Australia                   | 100                | 100       |
| C7 Pty Limited                                | (a)   | Australia                   | 100                | 100       |
| Coates Fleet Pty Limited                      |       | Australia                   | 100                | 100       |
| Coates Group Holdings Pty Limited             |       | Australia                   | 100                | 100       |
| Coates Group Pty Limited                      |       | Australia                   | 100                | 100       |
| Coates Hire Access SPV Pty Limited            |       | Australia                   | 100                | 100       |
| Coates Hire Holdco SPV Pty Limited            |       | Australia                   | 100                | 100       |
| Coates Hire Limited                           |       | Australia                   | 100                | 100       |
| Coates Hire (NZ) Limited                      |       | New Zealand                 | 100                | 100       |
| Coates Hire Operations Pty Limited            |       | Australia                   | 100                | 100       |
| Coates Hire Overseas Investments Pty Limited  |       | Australia                   | 100                | 100       |
| Coates Hire Traffic Solutions Pty Limited     |       | Australia                   | 100                | 100       |
| Direct Target Access Pty Limited              | (a)   | Australia                   | 100                | 100       |
| DWB (NH) Pty Limited                          |       | Australia                   | 100                | 100       |
| FGW Pacific Pty Limited                       |       | Australia                   | 100                | 100       |
| Industrial Investment Holdings Pty Limited    |       | Australia                   | 100                | 100       |
| Kimlin Holdings Pty Limited                   |       | Australia                   | 100                | 100       |
| Manooka Holdings Pty Limited                  | (a)   | Australia                   | 100                | 100       |
| Miltonstar Pty Limited                        | (a)   | Australia                   | 100                | 100       |
| Nahi Pty Limited                              |       | Australia                   | 100                | 100       |
| National Hire Equipment Pty Limited           |       | Australia                   | 100                | 100       |
| National Hire Facilitation Pty Limited        | (a)   | Australia                   | 100                | 100       |
| National Hire Finance Pty Limited             |       | Australia                   | 100                | 100       |
| National Hire Group Limited                   | (a)   | Australia                   | 100                | 100       |
| National Hire Operations Pty Limited          |       | Australia                   | 100                | 100       |
| National Hire Properties Pty Limited          |       | Australia                   | 100                | 100       |
| National Hire Trading Pty Limited             |       | Australia                   | 100                | 100       |
| Ned Finco Pty Limited                         |       | Australia                   | 100                | 100       |
| Network Investment Holdings Pty Limited       | (a)   | Australia                   | 100                | 100       |
| Point Pty Limited                             | (a)   | Australia                   | 100                | 100       |
| Primax USA Inc                                |       | USA                         | 100                | 100       |
| PT AllightSykes                               |       | Indonesia                   | 100                | 100       |
| PT Coates Hire Indonesia                      |       | Indonesia                   | 100                | 100       |
| PT Coates Services Indonesia                  |       | Indonesia                   | 100                | 100       |
| Pump Rentals Pty Limited                      | (a)   | Australia                   | 100                | 100       |
| Realtime Reporters Pty Limited                |       | Australia                   | 100                | 100       |
| Seven Broadcast Properties Trust              |       | Australia                   | 100                | 100       |
| Seven Custodians Pty Limited                  | (a)   | Australia                   | 100                | 100       |
| Seven Entertainment Pty Limited               |       | Australia                   | 100                | 100       |
| Seven Media Group Pty Limited                 | (a)   | Australia                   | 100                | 100       |
| Seven (National) Pty Limited                  | (a)   | Australia                   | 100                | 100       |
| Seven Network International Limited           | (a)   | Australia                   | 100                | 100       |
| Seven Network Investments Pty Limited         | (a)   | Australia                   | 100                | 100       |
| Seven Network Limited                         | (a)   | Australia                   | 100                | 100       |

# Group Structure

## 32. Controlled entities (continued)

|                                            | Notes | Country of incorporation | OWNERSHIP INTEREST |        |
|--------------------------------------------|-------|--------------------------|--------------------|--------|
|                                            |       |                          | 2021 %             | 2020 % |
| Seven Network Nominees Pty Limited         | (a)   | Australia                | 100                | 100    |
| Seven Network (United States) Inc          |       | USA                      | 100                | 100    |
| Seven Resources Pty Limited                | (a)   | Australia                | 100                | 100    |
| Seven (WAN) Pty Limited                    |       | Australia                | 100                | 100    |
| SGH Communications Pty Limited             |       | Australia                | 100                | 100    |
| SGH Energy Aust. Pty Limited               |       | Australia                | 100                | 100    |
| SGH Energy (No 1) Pty Limited              |       | Australia                | 100                | 100    |
| SGH Energy (No 2) Pty Limited              |       | Australia                | 100                | 100    |
| SGH Energy NTP66 Pty Ltd                   |       | Australia                | 100                | 100    |
| SGH Energy Pty Ltd                         |       | Australia                | 100                | 100    |
| SGH Energy VICP54 Pty Ltd                  |       | Australia                | 100                | 100    |
| SGH Energy VICP56 Pty Ltd                  |       | Australia                | 100                | 100    |
| SGH Energy WA Pty Ltd                      |       | Australia                | 100                | 100    |
| SGH Energy WA377P Pty Ltd                  |       | Australia                | 100                | 100    |
| SGH Productions Pty Limited                | (a)   | Australia                | 100                | 100    |
| Sitech Solutions Pty Limited               |       | Australia                | 51                 | 51     |
| Sitech (WA) Pty Limited                    |       | Australia                | 51                 | 51     |
| SMG Executives Pty Limited                 |       | Australia                | 100                | 100    |
| SMG FINCO Pty Limited                      | (a)   | Australia                | 100                | 100    |
| SNZ Pty Limited                            | (a)   | Australia                | 100                | 100    |
| Specialised Investments Pty Limited        |       | Australia                | 100                | 100    |
| Sykes Fleet Services Pty Limited           |       | Australia                | 100                | 100    |
| Sykes Group Pty Limited                    | (a)   | Australia                | 100                | 100    |
| Tallglen Pty Limited                       | (a)   | Australia                | 100                | 100    |
| Tru Blu Hire Australia Pty Limited         |       | Australia                | 100                | 100    |
| WA Regional Asset Holdings Pty Limited     | (b)   | Australia                | 100                | 100    |
| Warrah Engineering Pty Limited             | (c)   | Australia                | 100                | –      |
| WesTrac Holdings Pty Limited               | (a)   | Australia                | 100                | 100    |
| WesTrac Machinery Distribution Pty Limited |       | Australia                | 100                | 100    |
| WesTrac Pty Limited                        |       | Australia                | 100                | 100    |

(a) pursuant to ASIC Corporations (Wholly-Owned Companies) Instrument 2016/785 these controlled entities are relieved from the Corporations Act 2001 requirements for the preparation, audit and lodgement of financial reports.

(b) on 4 May 2021, Mining Equipment Spares Pty Limited changed its name to WA Regional Asset Holdings Pty Limited.

(c) this company was incorporated on 10 June 2021.

### Deed of cross guarantee

Pursuant to ASIC Corporations (Wholly-Owned Companies) Instrument 2016/785 (Instrument) the wholly-owned controlled entities marked (a) in the preceding table are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and Directors' reports.

It is a condition of the Instrument that the Company and each of the wholly-owned controlled entities (marked (a)) enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the parties to the Deed under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Corporations Act 2001, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

A combined statement of comprehensive income and combined statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, are set out below.

|                                                                                          | COMBINED      |                                      |
|------------------------------------------------------------------------------------------|---------------|--------------------------------------|
|                                                                                          | 2021<br>\$m   | Restated <sup>^</sup><br>2020<br>\$m |
| <b>STATEMENT OF COMPREHENSIVE INCOME</b>                                                 |               |                                      |
| <b>Revenue</b>                                                                           |               |                                      |
| Revenue                                                                                  | 81.2          | 94.8                                 |
| <b>Other income</b>                                                                      |               |                                      |
| Other income                                                                             | 0.7           | 5.4                                  |
| Dividend income                                                                          | 247.5         | 287.4                                |
| <b>Total other income</b>                                                                | <b>248.2</b>  | <b>292.8</b>                         |
| Share of results from equity accounted investees                                         | 238.4         | 79.9                                 |
| Impairment reversal/(impairment) of equity accounted investee                            | 92.9          | (161.8)                              |
| Expenses excluding depreciation and amortisation                                         | (106.0)       | (269.9)                              |
| Depreciation and amortisation                                                            | (3.2)         | (3.4)                                |
| <b>Profit before net finance expense and tax</b>                                         | <b>551.5</b>  | <b>32.4</b>                          |
| Net finance expenses                                                                     | (53.3)        | (42.5)                               |
| <b>Profit/(loss) before tax</b>                                                          | <b>498.2</b>  | <b>(10.1)</b>                        |
| Income tax benefit/(expense)                                                             | 21.9          | (18.4)                               |
| <b>Profit/(loss) for the year</b>                                                        | <b>520.1</b>  | <b>(28.5)</b>                        |
| <b>Other comprehensive income</b>                                                        |               |                                      |
| <b>Items that will not be reclassified subsequently to profit or loss:</b>               |               |                                      |
| Net change in financial assets measured at fair value through other comprehensive income | 205.9         | 48.2                                 |
| Income tax on items of other comprehensive income                                        | (61.4)        | (16.5)                               |
| <b>Total items that will not be reclassified subsequently to profit or loss</b>          | <b>144.5</b>  | <b>31.7</b>                          |
| <b>Items that may be reclassified subsequently to profit or loss:</b>                    |               |                                      |
| Foreign currency differences for foreign operations                                      | (28.4)        | 2.4                                  |
| Income tax on items of other comprehensive income                                        | –             | –                                    |
| <b>Total items that may be reclassified subsequently to profit or loss</b>               | <b>(28.4)</b> | <b>2.4</b>                           |
| <b>Total comprehensive income for the year</b>                                           | <b>636.2</b>  | <b>5.6</b>                           |
| <b>MOVEMENT IN RETAINED EARNINGS</b>                                                     |               |                                      |
| Retained profits at beginning of the year                                                | 464.3         | 635.3                                |
| Profit/(loss) for the year                                                               | 520.1         | (28.5)                               |
| Dividends paid during the year                                                           | (149.3)       | (142.5)                              |
| <b>Retained earnings at end of the year</b>                                              | <b>835.1</b>  | <b>464.3</b>                         |

<sup>^</sup> Amounts have been restated. Refer to Note 1 for further detail.

# Group Structure

## 32. Controlled entities (continued)

|                                                   | COMBINED       |                          |
|---------------------------------------------------|----------------|--------------------------|
|                                                   | 2021<br>\$m    | Restated^<br>2020<br>\$m |
| <b>STATEMENT OF FINANCIAL POSITION</b>            |                |                          |
| <b>Current assets</b>                             |                |                          |
| Cash and cash equivalents                         | 43.2           | 42.2                     |
| Trade and other receivables                       | 37.9           | 18.8                     |
| Inventories                                       | 21.5           | 29.0                     |
| Loans to related parties                          | 102.6          | 638.6                    |
| Other current assets                              | 0.4            | 0.3                      |
| <b>Total current assets</b>                       | <b>205.6</b>   | <b>728.9</b>             |
| <b>Non-current assets</b>                         |                |                          |
| Investments in controlled entities                | 1,659.1        | 1,659.1                  |
| Investments accounted for using the equity method | 2,753.7        | 966.8                    |
| Other financial assets                            | 186.3          | 705.8                    |
| Right of use assets                               | 4.4            | 6.8                      |
| Property, plant and equipment                     | 0.9            | 1.9                      |
| Intangible assets                                 | 0.7            | 1.0                      |
| <b>Total non-current assets</b>                   | <b>4,605.1</b> | <b>3,341.4</b>           |
| <b>Total assets</b>                               | <b>4,810.7</b> | <b>4,070.3</b>           |
| <b>Current liabilities</b>                        |                |                          |
| Trade and other payables                          | 163.1          | 83.7                     |
| Lease liabilities                                 | 2.4            | 2.4                      |
| Interest bearing loans and liabilities            | 688.5          | –                        |
| Current tax liabilities                           | 29.9           | 23.2                     |
| Deferred income                                   | –              | 2.2                      |
| Provisions                                        | 3.2            | 3.2                      |
| Derivative financial instruments                  | 0.3            | 0.4                      |
| <b>Total current liabilities</b>                  | <b>887.4</b>   | <b>115.1</b>             |
| <b>Non-current liabilities</b>                    |                |                          |
| Interest bearing loans and liabilities            | 752.1          | 1,853.4                  |
| Deferred tax liabilities                          | 162.5          | 102.4                    |
| Trade and other payables                          | 0.8            | 0.5                      |
| Lease liabilities                                 | 2.4            | 4.8                      |
| Provisions                                        | 0.6            | 0.4                      |
| Derivative financial instruments                  | –              | 1.1                      |
| <b>Total non-current liabilities</b>              | <b>918.4</b>   | <b>1,962.6</b>           |
| <b>Total liabilities</b>                          | <b>1,805.8</b> | <b>2,077.7</b>           |
| <b>Net assets</b>                                 | <b>3,004.9</b> | <b>1,992.6</b>           |
| <b>Equity</b>                                     |                |                          |
| Issued capital                                    | 3,405.2        | 2,878.4                  |
| Reserves                                          | (1,235.4)      | (1,350.1)                |
| Retained earnings                                 | 835.1          | 464.3                    |
| <b>Total equity</b>                               | <b>3,004.9</b> | <b>1,992.6</b>           |

^ Amounts have been restated. Refer to Note 1 for further detail.

# Other

## 33. Related party disclosures

### Key management personnel compensation

Detailed remuneration disclosures, including movements in equity holdings for KMP, are disclosed in the Remuneration Report section of the Director's Report.

The aggregate compensation made to the Key Management Personnel of the Group is set out below:

|                                                    | 2021<br>\$000 | 2020<br>\$000 |
|----------------------------------------------------|---------------|---------------|
| Short-term employee benefits                       | 10,027        | 9,133         |
| Post-employment benefits                           | 250           | 269           |
| Termination benefits                               | –             | 500           |
| Other long-term employee benefits                  | 166           | (10)          |
| Share-based payments                               | 5,747         | 4,611         |
| <b>Total key management personnel compensation</b> | <b>16,190</b> | <b>14,503</b> |

No Director has entered into a material contract with the Group in the current or prior year other than those disclosed in the Remuneration Report or this note. For further detail on KMP compensation refer to pages 78 to 79 in the Remuneration Report.

### Director related party transactions

Details of related party transactions with director related entities are outlined on page 76.

### Other transactions with related parties

A number of Directors and KMPs of the Company hold directorships in other entities. Several of these entities transacted with the Group on terms and conditions no more favourable than those available on an arm's length basis.

### Subsidiaries

Interests in subsidiaries are set out in Note 32: Controlled Entities.

### Other related party transactions

The aggregate value of transactions between the Group and its equity accounted investees is outlined below:

|                                                                                                | 2021<br>\$m | 2020<br>\$m |
|------------------------------------------------------------------------------------------------|-------------|-------------|
| Sales revenue                                                                                  |             |             |
| Associates                                                                                     | 14.4        | 2.6         |
| Finance income                                                                                 |             |             |
| Joint venture                                                                                  | –           | 0.1         |
| Other expenses                                                                                 |             |             |
| Associates                                                                                     | (1.9)       | (5.1)       |
| Outstanding balances arising from transactions with equity accounted investees:                |             |             |
| Trade and other receivables                                                                    |             |             |
| Associates                                                                                     | 2.2         | 0.1         |
| Trade and other payables                                                                       |             |             |
| Associates                                                                                     | (0.6)       | (0.1)       |
| Contingent liabilities at year end, arising from transactions with equity accounted investees: |             |             |
| Financial guarantees (refer to Note 28: Contingent Liabilities).                               | –           | –           |

## Other

### 34. Auditor's remuneration

The Company's external auditor is Deloitte Touche Tohmatsu (Deloitte). The external auditor is only appointed to assignments additional to their statutory audit duties where they are able to maintain their audit independence. All amounts payable to the auditors of the Company were paid by Group subsidiaries.

Amounts received or due and receivable by auditors of the Company are set out below:

|                                                                                                | 2021<br>\$000 | 2020<br>\$000 |
|------------------------------------------------------------------------------------------------|---------------|---------------|
| <b>Deloitte and related network firms</b>                                                      |               |               |
| Audit or review of financial reports                                                           | 980           | 1,185         |
| Other assurance and agreed-upon procedures under other legislation or contractual arrangements | 20            | 23            |
| Other services:                                                                                |               |               |
| Tax compliance services                                                                        | –             | 4             |
| Other advisory services                                                                        | 38            | –             |
| Consulting services                                                                            | –             | 72            |
| <b>Total auditor's remuneration</b>                                                            | <b>1,038</b>  | <b>1,284</b>  |

# Directors' Declaration

1. In the opinion of the Directors of Seven Group Holdings Limited (the Company):
  - (a) the consolidated financial statements and notes that are set out on pages 83 to 144 are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. As at the date of this declaration, there are reasonable grounds to believe that the Company and the group entities identified in Note 32 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to the ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.
3. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director & Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2021.
4. The Directors draw attention to Note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:



**KM Stokes AC**  
Executive Chairman

Sydney  
25 August 2021



**SA Chaplain AM**  
Chair of the Audit & Risk Committee

# Independent Auditor's Report



Deloitte Touche Tohmatsu  
A.B.N. 74 490 121 060

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225 George Street  
Sydney NSW 2000  
PO Box N250 Grosvenor Place  
Sydney NSW 1220 Australia

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## Independent Auditor's Report to the members of Seven Group Holdings Limited

### Report on the Audit of the Financial Report

#### *Opinion*

We have audited the financial report of Seven Group Holdings Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2021, 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# Deloitte.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | How the scope of our audit responded to the Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><i>Recoverability of producing and development assets and exploration and evaluation assets</i></p> <p>As disclosed in Note 14 and Note 15, the Group has producing and development assets of \$112.2 million and exploration and evaluation assets of \$239.0 million.</p> <p>The assessment of the recoverable amount requires significant judgement in respect of assumptions such as estimated quantities of reserves, future commodity prices and commercial operating assumptions.</p>                                                                                  | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>Assessing whether impairment indicators were identified which would require impairment testing.</li> </ul> <p>If indicators were identified, our procedures performed in conjunction with our valuation specialists included:</p> <ul style="list-style-type: none"> <li>Evaluating management's prepared impairment models to assess the recoverable amount of the energy assets, including: <ul style="list-style-type: none"> <li>Agreeing forecast reserves to management's expert's reports; and</li> <li>Assessing the key assumptions, with particular focus on future commodity prices, discount rates and tax credit assumptions. Where possible, we have corroborated market related assumptions by reference to external data;</li> </ul> </li> <li>Testing the mathematical accuracy of the impairment models;</li> <li>Performing sensitivity analysis on key assumptions, including future commodity prices, discount rates, production patterns and forecast reserves; and</li> <li>Assessing the appropriateness of the relevant disclosures in the Notes to the financial statements.</li> </ul> |
| <p><i>Carrying value of inventory</i></p> <p>As disclosed in Note 10, at 30 June 2021 the Group holds inventories with a carrying value of \$804.2 million, of which \$253.6 million relates to used spare parts held at WesTrac.</p> <p>The determination of the carrying value of inventories requires significant judgement and complex reconciliation processes, specifically in relation to used spare parts.</p> <p>The significant judgement relates to the age and condition of the spare parts, and Management's assessment of future demand and market conditions.</p> | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>Understanding the process that Management undertake to determine the carrying value of inventories;</li> <li>Testing on a sample basis, Management's calculation of the valuation of used spare parts held;</li> <li>Assessing the assumptions, including future saleability of aged used spare parts, and corroborating Management's assumptions with market data where possible;</li> <li>Testing the accuracy and logic of Management prepared inventory reconciliations at the balance sheet date; and</li> <li>Assessing the appropriateness of the relevant disclosures in the Notes to the financial statements.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

# Independent Auditor's Report



|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><i>Accounting for the investment in Seven West Media Limited ("SWM")</i></p> <p>As disclosed in Note 11 the Group holds an investment in SWM at a carrying value of \$281.5 million, which is held at market value based on SWM share price at 30 June 2021.</p> <p>Accounting for the investment in SWM requires significant judgement in respect of assessing whether the Group has significant influence or control over SWM. This impacts the classification of the investment in SWM as an equity accounted investment, rather than a subsidiary which is consolidated and consequently has a pervasive impact on the Group's financial statements.</p> | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Evaluating management's determination that the Group's key management personnel do not exert control over the significant operational decisions of SWM. This included assessing the composition and independence of the SWM Board of Directors;</li> <li>• Evaluating historical voting patterns at Annual General Meetings to challenge management's conclusion that they do not have control;</li> <li>• Assessing the accuracy of the Group's ownership interest in SWM by recalculating SGH's ownership interest in SWM's issued share capital;</li> <li>• Assessing the recoverability of the investment by recalculating SGH's carrying value using the SWM closing bid price at 30 June 2021 and SGH's ownership interest; and</li> <li>• Assessing the appropriateness of the disclosures in the Notes to the financial statements.</li> </ul> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

## *Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## *Responsibilities of the Directors for the Financial Report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

## Deloitte.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# Independent Auditor's Report



## Report on the Remuneration Report

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Seven Group Holdings Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

*JL Gorton*

Joanne Gorton  
Partner  
Chartered Accountants  
Sydney, 25 August 2021

# Shareholder Information

## Substantial Shareholders – Ordinary Shares

The number of ordinary shares held by the Substantial Shareholders based on the most recent notifications contained in the Company's Register of Substantial Shareholders as at 4 August 2021 are as follows:

| Shareholder                                                                                                                                                                                                                                                                                                                      | Number of Shares* | % Held** |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|----------|
| KM Stokes AC; North Aston Pty Limited, Wroxby Pty Limited, Tiberius (Seven Investments) Pty Limited and Ashblue Holdings Pty Limited; Tiberius Pty Limited, Redlake Pty Limited and Tiberius group entities; Australian Capital Equity Pty Limited, Clabon Pty Limited and Australian Capital Equity Pty Limited group entities. | 207,304,349       | 57.07    |

\* Based on number of shares disclosed in the Notice of Change of Interests of Substantial Holder given to ASX on 27 April 2021.

\*\* Based on the number of ordinary shares on issue at 4 August 2021.

## Distribution of Ordinary Shares

| Category (Number)                                | Ordinary Shareholders |
|--------------------------------------------------|-----------------------|
| 1 – 1,000                                        | 9,198                 |
| 1,001 – 5,000                                    | 5,695                 |
| 5,001 – 10,000                                   | 756                   |
| 10,001 – 100,000                                 | 357                   |
| 100,001 – and over                               | 45                    |
| Total number of Holders                          | 16,051                |
| Number of Holdings less than a Marketable Parcel | 327                   |

## Twenty Largest Ordinary Shareholders

| Name of Shareholder                        | Number of Shares | % Held |
|--------------------------------------------|------------------|--------|
| NORTH ASTON PTY LTD                        | 63,572,442       | 17.50  |
| NORTH ASTON PTY LIMITED                    | 60,537,558       | 16.67  |
| ASHBLUE HOLDINGS PTY LIMITED               | 39,462,442       | 10.86  |
| J P MORGAN NOMINEES AUSTRALIA PTY LIMITED  | 37,128,922       | 10.22  |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED  | 33,934,110       | 9.34   |
| CITICORP NOMINEES PTY LIMITED              | 20,762,824       | 5.72   |
| ASHBLUE HOLDINGS PTY LTD                   | 20,000,000       | 5.51   |
| NATIONAL NOMINEES LIMITED                  | 14,171,748       | 3.90   |
| WROXBY PTY LTD                             | 11,731,907       | 3.23   |
| TIBERIUS (SEVEN INVESTMENTS) PTY LTD       | 7,000,000        | 1.93   |
| BNP PARIBAS NOMINEES PTY LTD               | 4,768,485        | 1.31   |
| TIBERIUS (SEVEN INVESTMENTS) PTY LTD       | 3,000,000        | 0.83   |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED  | 2,958,379        | 0.81   |
| BNP PARIBAS NOMS PTY LTD                   | 2,898,800        | 0.80   |
| WROXBY PTY LTD                             | 2,000,000        | 0.55   |
| UBS NOMINEES PTY LTD                       | 1,229,066        | 0.34   |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED  | 1,131,706        | 0.31   |
| CERTANE CT PTY LTD                         | 709,626          | 0.20   |
| CITICORP NOMINEES PTY LIMITED              | 654,017          | 0.18   |
| AMP LIFE LIMITED                           | 435,784          | 0.12   |
| Total Twenty Largest Ordinary Shareholders | 328,087,816      | 90.33  |

## Voting Rights

### Ordinary Shares

On a show of hands, every member present in person or by proxy or attorney, or being a corporation, present by its representative, shall have one vote. On a poll, every member present in person or by proxy or attorney, or being a corporation, present by its representative, shall have one vote for every share held.

### Stock Exchange Listing

The Company is listed with the Australian Securities Exchange Limited and the home exchange is Sydney.

The Company is also listed on the Singapore Exchange Limited from 6 March 2018.

## Investor Information

### Shareholder Inquiries

Investors seeking information regarding their shareholding or dividends or wishing to advise of a change of address should contact the Share Registry at:

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

GPO Box 3993  
Sydney NSW 2001

Telephone: (02) 9290 9600

Alternatively, visit the online service at [boardroomlimited.com.au](http://boardroomlimited.com.au)

Boardroom Pty Limited has an online service for investors called InvestorServe. This enables investors to make online changes, view balances and transaction history, as well as obtain information about recent dividend payments and download various forms to assist in the management of their holding. To use this service, visit the Boardroom website.

For other general inquiries visit the website at [www.sevengroup.com.au](http://www.sevengroup.com.au).

### Tax File Number Information

The Company is obliged to record Tax File Numbers or exemption details provided by shareholders. While it is not compulsory for shareholders to provide a Tax File Number or exemption details, Seven Group Holdings Limited is obliged to deduct tax from unfranked dividends paid to investors resident in Australia who have not supplied such information. Forms are available upon request from the Share Registry or shareholders can submit their Tax File Number via the Boardroom website.

### The Chess System

Seven Group Holdings Limited operates under CHES – Clearing House Electronic Subregister System – an Australian Securities Exchange system which permits the electronic transfer and registration of shares. Under CHES, the company issues a Statement of Holdings to investors, instead of share certificates, and the statement will quote the Holder Identification Number (HIN). The HIN number should be quoted on any correspondence investors have with the Share Registry.

The Company will maintain investors' holdings in an Issuer Sponsored facility, which enables investors to maintain their holding without the need to be tied to any particular stockbroker.

## Company Information

### Company Secretary

Warren Walter Coatsworth

### Share Registry

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

### Auditor

Deloitte Touche Tohmatsu  
Level 12  
Grosvenor Place  
225 George Street  
Sydney NSW 2000

### Legal Advisors

Herbert Smith Freehills  
ANZ Tower  
161 Castlereagh Street  
Sydney NSW 2000

## Corporate Directory

### Head Office and Registered Office

#### Seven Group Holdings Limited

Level 30  
175 Liverpool Street  
Sydney NSW 2000  
Ph: (02) 8777 7574

#### 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 – Head Office

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

#### Coates – East Business Unit

6 Greenhills Avenue  
Moorebank NSW 2170  
Ph: 13 15 52

#### Coates – South Business Unit

120 South Gippsland Highway  
Dandenong VIC 3175  
Ph: 13 15 52

#### Coates – North Business Unit

56-61 Meakin Road  
Meadowbrook QLD 4131  
Ph: 13 15 52

#### Coates – West Business Unit

18 Wheeler Street  
Belmont WA 6104  
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 4  
160 Harbour Esplanade  
Docklands VIC 3008  
Ph: (03) 8628 7277

#### Boral

Level 18, 15 Blue Street  
North Sydney NSW 2060  
Ph: (02) 9220 6300

