SGH | Industrial Services, Media, Energy and Investments

23 February 2016

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

By electronic lodgment

Total Pages: 30 (including covering letter)

Dear Sir / Madam

HALF-YEAR FINANCIAL REPORT

In accordance with the Listing Rules, following are the Half-Year Report Appendix 4D and the Half-Year Financial Report at 31 December 2015.

Yours faithfully

Warren Coatsworth
Company Secretary

Appendix 4D - Half-Year Report

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
ABN 46 142 003 469
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

RESULTS FOR ANNOUNCEMENT TO THE MARKET

REPORTED				$m
Revenue from ordinary activities	down	2.09%	to	1,368.6
Net profit from ordinary activities after tax attributable to members	down	90.51%	to	6.5
Net profit for period attributable to members	down	90.51%	to	6.5

UNDERLYING				$m
Revenue from ordinary activities	down	2.09%	to	1,368.6
Net profit from ordinary activities after tax attributable to members excluding significant items	down	5.93%	to	111.0
Net profit for period attributable to members excluding significant items	down	5.93%	to	111.0

DIVIDENDS

Ordinary shares	Amount per security	Franked amount per security
Interim	20 cents	20 cents

Record date for determining entitlements to the dividend: 5.00pm on 24 March 2016

Date the interim dividend is payable: 12 April 2016

Transferable Extendable Listed Yield Shares (TELYS4)		
Interim (paid 30 November 2015)	$ 2.4497	$ 2.4497

Payments of TELYS4 dividends are in accordance with the prospectus.

NET TANGIBLE ASSET BACKING

Net tangible asset backing per ordinary share: $4.96 (December 2014: $6.61).

This has been calculated by dividing the net assets attributable to equity holders of the Company (reduced for the carrying value of TELYS4 preference shares) less intangible assets by the number of ordinary shares at 31 December 2015. The comparative net tangible asset backing per ordinary share has been restated to reflect the reduction in intangible assets from the finalisation of Nexus Energy Limited acquisition accounting.

COMMENTARY ON RESULTS

Detailed commentary on the results for the period is contained in the press release dated 23 February 2016 accompanying this Report.

Appendix 4D - Half-Year Report

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
ABN 46 142 003 469
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

RESULTS FOR ANNOUNCEMENT TO THE MARKET
UNDERLYING TRADING PERFORMANCE

	Underlying trading performance[a]		Less: Significant items[b]		Statutory results (as reported)	
	Dec 15	Dec 14	Dec 15	Dec 14	Dec 15	Dec 14
	$m	$m	$m	$m	$m	$m
Revenue	1,368.6	1,397.8	-	-	1,368.6	1,397.8
Total other income	48.3	59.4	(17.0)	(38.3)	65.3	97.7
Share of results from equity accounted investees	59.3	53.1	(18.1)	17.4	77.4	35.7
Impairment of equity accounted investees	-	-	182.2	195.5	(182.2)	(195.5)
Total expenses excluding depreciation and amortisation	(1,289.3)	(1,311.6)	8.0	96.5	(1,297.3)	(1,408.1)
Profit/(loss) before depreciation and amortisation, net finance expense and tax	**186.9**	**198.7**	**155.1**	**271.1**	**31.8**	**(72.4)**
Depreciation and amortisation	(19.7)	(23.7)	-	-	(19.7)	(23.7)
Profit/(loss) before net finance expense and tax	**167.2**	**175.0**	**155.1**	**271.1**	**12.1**	**(96.1)**
Net finance expense	(43.6)	(33.5)	-	(16.3)	(43.6)	(17.2)
Profit/(loss) before tax	**123.6**	**141.5**	**155.1**	**254.8**	**(31.5)**	**(113.3)**
Income tax (expense)/benefit	(12.0)	(22.8)	(50.6)	(205.3)	38.6	182.5
Profit for the period	**111.6**	**118.7**	**104.5**	**49.5**	**7.1**	**69.2**
Profit for the period attributable to:						
Equity holders of the Company	111.0	118.0	104.5	49.5	6.5	68.5
Non-controlling interest	0.6	0.7	-	-	0.6	0.7
Profit for the period	**111.6**	**118.7**	**104.5**	**49.5**	**7.1**	**69.2**

EARNINGS PER SHARE (EPS)	$	$	$	$
Ordinary shares				
Basic earnings per share	0.34	0.35	(0.02)	0.18
Diluted earnings per share	0.34	0.35	(0.02)	0.18

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

(b) Significant items are disclosed in Note 3.

Refer to the Consolidated Interim Financial Report for detailed information on individual reported components above.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Note	Dec 15 $m	Dec 14 $m
REVENUE			
Revenue	4	1,368.6	1,397.8
OTHER INCOME			
Dividend income		19.8	21.3
Net gain on sale of investments and equity accounted investees		7.7	27.4
Other investment income		-	13.8
Other		37.8	35.2
Total other income		**65.3**	**97.7**
Share of results from equity accounted investees	7	77.4	35.7
Impairment of equity accounted investees	7	(182.2)	(195.5)
EXPENSES EXCLUDING DEPRECIATION AND AMORTISATION			
Expenses	4	(1,297.3)	(1,408.1)
Profit/(loss) before depreciation and amortisation, net finance expense and tax		**31.8**	**(72.4)**
Depreciation and amortisation		(19.7)	(23.7)
Profit/(loss) before net finance expense and tax		**12.1**	**(96.1)**
Finance income		2.6	31.5
Finance expense		(46.2)	(48.7)
Net finance expense		**(43.6)**	**(17.2)**
Loss before tax		**(31.5)**	**(113.3)**
Income tax benefit	5	38.6	182.5
Profit for the period		**7.1**	**69.2**
Profit for the period attributable to:			
Equity holders of the Company		6.5	68.5
Non-controlling interest		0.6	0.7
Profit for the period		**7.1**	**69.2**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Net change in fair value of financial assets at fair value through other comprehensive income		(243.0)	55.2
Impact of transition - AASB 9: Financial Instruments	1	(6.2)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	5	73.0	(12.8)
Total items that will not be reclassified subsequently to profit or loss		**(176.2)**	**42.4**
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges: effective portion of changes in fair value		5.1	17.3
Foreign currency differences for foreign operations		29.1	101.4
Impact of transition - AASB 9: Financial Instruments	1	0.4	-
Income tax relating to items that may be reclassified subsequently to profit or loss	5	(1.9)	(5.3)
Total items that may be reclassified subsequently to profit or loss		**32.7**	**113.4**
Total comprehensive income for the period		**(136.4)**	**225.0**
Total comprehensive income for the period attributable to:			
Equity holders of the Company		(137.0)	224.2
Non-controlling interest		0.6	0.8
Total comprehensive income for the period		**(136.4)**	**225.0**

EARNINGS PER SHARE (EPS)		$	$
Ordinary shares			
Basic earnings per share	6	(0.02)	0.18
Diluted earnings per share	6	(0.02)	0.18

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

Consolidated Statement of Financial Position

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

AS AT 31 DECEMBER 2015

	Note	Dec 15 $m	Restated* Jun 15 $m
CURRENT ASSETS			
Cash and cash equivalents		305.0	290.7
Trade and other receivables		514.9	489.2
Inventories		933.7	929.2
Current tax assets		-	11.0
Other current assets		53.8	41.7
Derivative financial instruments	13	0.3	2.5
Total current assets		**1,807.7**	**1,764.3**
NON-CURRENT ASSETS			
Investments accounted for using the equity method	7	832.6	983.9
Other financial assets		917.4	1,140.9
Property, plant and equipment		180.6	216.3
Producing and development assets	8	216.0	208.5
Exploration and evaluation assets	9	213.8	238.5
Intangible assets		695.9	665.5
Deferred tax assets		32.2	12.9
Derivative financial instruments	13	168.2	142.1
Total non-current assets		**3,256.7**	**3,608.6**
Total assets		**5,064.4**	**5,372.9**
CURRENT LIABILITIES			
Trade and other payables		384.1	380.8
Interest bearing loans and borrowings	11	153.6	79.2
Current tax liability		3.8	6.4
Deferred income		240.8	209.4
Provisions		52.6	83.3
Employee benefits		35.8	37.3
Derivative financial instruments	13	19.1	12.0
Total current liabilities		**889.8**	**808.4**
NON-CURRENT LIABILITIES			
Other payables		0.7	1.1
Interest bearing loans and borrowings	11	1,560.5	1,556.1
Deferred tax liabilities		-	98.3
Deferred income		12.9	13.1
Provisions		49.8	49.2
Employee benefits		10.8	8.1
Derivative financial instruments	13	7.2	29.2
Total non-current liabilities		**1,641.9**	**1,755.1**
Total liabilities		**2,531.7**	**2,563.5**
Net assets		**2,532.7**	**2,809.4**
EQUITY			
Contributed equity	14	2,475.3	2,544.6
Reserves		(481.7)	(344.2)
Retained earnings		525.9	596.2
Total equity attributable to equity holders of the Company		**2,519.5**	**2,796.6**
Non-controlling interest		13.2	12.8
Total equity		**2,532.7**	**2,809.4**

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

* Refer to Note 1 regarding the restatement of the consolidated statement of financial position.

Consolidated Statement of Changes in Equity

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

HALF-YEAR ENDED 31 DECEMBER 2015	Note	Contributed equity $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interest $m	Total equity $m
Balance as at 1 July 2015		**2,544.6**	**(344.2)**	**596.2**	**2,796.6**	**12.8**	**2,809.4**
Profit for the period		-	-	6.5	6.5	0.6	7.1
Impact of transition - AASB 9: Financial Instruments	1	-	0.4	(6.2)	(5.8)	-	(5.8)
Net change in fair value of financial assets measured at fair value through other comprehensive income		-	(243.0)	-	(243.0)	-	(243.0)
Cash flow hedges: effective portion of changes in fair value		-	5.1	-	5.1	-	5.1
Foreign currency differences for foreign operations		-	29.1	-	29.1	-	29.1
Income tax on items of other comprehensive income	5	-	71.1	-	71.1	-	71.1
Total comprehensive income for the period		**-**	**(137.3)**	**0.3**	**(137.0)**	**0.6**	**(136.4)**
Transactions with owners recognised directly in equity							
Ordinary dividends paid	15	-	-	(58.5)	(58.5)	(0.2)	(58.7)
TELYS4 dividends paid	15	-	-	(12.1)	(12.1)	-	(12.1)
Shares bought back on-market		(69.5)	-	-	(69.5)	-	(69.5)
Shares vested and transferred to employee		0.2	(0.2)	-	-	-	-
Total distributions to owners		**(69.3)**	**(0.2)**	**(70.6)**	**(140.1)**	**(0.2)**	**(140.3)**
Total movement in equity for the period		**(69.3)**	**(137.5)**	**(70.3)**	**(277.1)**	**0.4**	**(276.7)**
Balance as at 31 December 2015		**2,475.3**	**(481.7)**	**525.9**	**2,519.5**	**13.2**	**2,532.7**

HALF-YEAR ENDED 31 DECEMBER 2014	Note	Contributed equity $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interest $m	Total equity $m
Balance as at 1 July 2014		**2,586.2**	**(557.7)**	**1,102.3**	**3,130.8**	**11.9**	**3,142.7**
Profit for the period		-	-	68.5	68.5	0.7	69.2
Net change in fair value of financial assets measured at fair value through other comprehensive income		-	55.2	-	55.2	-	55.2
Cash flow hedges: effective portion of changes in fair value		-	17.3	-	17.3	-	17.3
Foreign currency differences for foreign operations		-	101.3	-	101.3	0.1	101.4
Income tax on items of other comprehensive income	5	-	(18.1)	-	(18.1)	-	(18.1)
Total comprehensive income for the period		**-**	**155.7**	**68.5**	**224.2**	**0.8**	**225.0**
Transactions with owners recognised directly in equity							
Ordinary dividends paid	15	-	-	(60.5)	(60.5)	(0.6)	(61.1)
TELYS4 dividends paid	15	-	-	(13.0)	(13.0)	-	(13.0)
Shares bought back on-market		(40.3)	-	-	(40.3)	-	(40.3)
Own shares acquired		(0.7)	-	-	(0.7)	-	(0.7)
Share based payments		-	(1.4)	-	(1.4)	-	(1.4)
Total distributions to owners		**(41.0)**	**(1.4)**	**(73.5)**	**(115.9)**	**(0.6)**	**(116.5)**
Total movement in equity for the period		**(41.0)**	**154.3**	**(5.0)**	**108.3**	**0.2**	**108.5**
Balance as at 31 December 2014		**2,545.2**	**(403.4)**	**1,097.3**	**3,239.1**	**12.1**	**3,251.2**

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

Consolidated Cash Flow Statement

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Note	Dec 15 $m	Dec 14 $m
CASH FLOWS RELATED TO OPERATING ACTIVITIES			
Receipts from customers		1,539.1	1,530.7
Payments to suppliers and employees		(1,365.0)	(1,310.9)
Dividends and distributions received from equity accounted investees	7	45.3	24.6
Other dividends received		20.2	29.9
Interest and other items of a similar nature received		3.2	3.3
Interest and other costs of finance paid		(41.9)	(46.6)
Income taxes refunded		8.2	16.8
Income tax funding paid to equity accounted investee		(7.2)	(9.4)
Net operating cash flows	10	**201.9**	**238.4**
CASH FLOWS RELATED TO INVESTING ACTIVITIES			
Payments for purchases of property, plant and equipment		(9.7)	(7.1)
Proceeds from sale of property, plant and equipment		0.1	0.3
Payments for purchase of intangible assets		(15.2)	(10.8)
Payment for production, development and exploration expenditure		(25.7)	(6.2)
Payments for other investments		(60.0)	(172.7)
Proceeds from sale of other financial assets		15.2	217.5
Acquisition of subsidiaries, net of cash acquired		-	(47.6)
Acquisition of equity accounted investee		-	(0.3)
Loans and deposits paid		(5.0)	-
Net investing cash flows		**(100.3)**	**(26.9)**
CASH FLOWS RELATED TO FINANCING ACTIVITIES			
Ordinary dividends paid	15	(58.5)	(60.5)
TELYS4 dividends paid	15	(12.1)	(13.0)
Dividends paid to non-controlling interests		(0.2)	(0.6)
Payments under share buy-back		(70.1)	(40.3)
Proceeds from borrowings		203.1	238.8
Repayment of borrowings		(165.1)	(125.9)
Net financing cash flows		**(102.9)**	**(1.5)**
Net (decrease)/increase in cash and cash equivalents		**(1.3)**	**210.0**
Cash and cash equivalents at beginning of the period		290.7	128.3
Effect of exchange rate changes on cash and cash equivalents		15.6	3.5
Cash and cash equivalents at end of the period		**305.0**	**341.8**

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

Notes to the Consolidated Financial Statements

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

1. BASIS OF PREPARATION

Seven Group Holdings Limited (the Company) is a for profit company limited by shares and the shares are publicly traded on the Australian Securities Exchange (ASX). The Company is domiciled in Australia. These consolidated financial statements cover the half-year ended 31 December 2015 (Consolidated Interim Financial Report) and comprise the Company and its subsidiaries (together referred to as the Group), and the Group's interest in equity accounted investees.

The Consolidated Interim Financial Report was authorised for issue in accordance with a resolution of the Directors on 23 February 2016.

The Consolidated Interim Financial Report has been prepared in accordance with *AASB 134: Interim Financial Reporting,* the *Corporations Act 2001* and with International Accounting Standard *IAS 34: Interim Financial Reporting. International* Financial Reporting Standards (IFRSs) form the basis of Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB).

The Consolidated Interim Financial Report should be read in conjunction with the 2015 Annual Report and considered with any public announcements made by the Company during the half-year ended 31 December 2015 in accordance with the continuous disclosure obligations of the ASX Listing rules. A copy of the 2015 Annual Report is available from the Company on request or at www.sevengroup.com.au.

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

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

- financial instruments 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 Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order amount in this report are rounded off to the nearest whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars unless otherwise stated.

Certain comparative amounts in this Consolidated Interim Financial Report have been reclassified to conform to the current period's presentation or correct a misstatement in classification. In particular:

- amounts have been restated on the consolidated statement of financial position to reflect the finalisation of the acquisition accounting for Nexus Energy Limited as required by *AASB 3: Business Combinations* . Refer to Note 17: Business Combination for details of amounts restated. There was no impact on the Group's net assets as a result of the restatement.
- an amount of $37.1 million has been reclassified from deferred income to trade receivables in the prior period to align with current period classification. The restatement had no impact on the Group's net assets.
- an amount of $12.9 million has been reclassified from revenue from product sales to revenue from product support in the prior period to correct a classification misstatement. The restatement had no impact on the Group's total revenue.
- for segment reporting purposes, the Energy segment now includes amounts in relation to the Group's investment in Beach Energy Limited and Drillsearch Energy Limited, reflecting the way the information is provided to the chief operating decision maker. Comparatives have been restated as amounts were previously disclosed in Other investments.

(A) ACCOUNTING POLICIES

The Consolidated Interim Financial Report has been prepared using accounting policies that are consistent with those that were applied by the Group and disclosed in the 2015 Annual Report, except as detailed below.

(B) CHANGE TO ACCOUNTING POLICIES

AASB 9: Financial Instruments (2014)

The Group has early adopted *AASB 9: Financial Instruments (2014)* (AASB 9) with a date of initial application of 1 July 2015. AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and also sets out new rules for hedge accounting. The impact of adopting AASB 9 for the Group is outlined on the following page.

1. BASIS OF PREPARATION (CONTINUED)

Classification and measurement
The Group has classified its existing financial assets and financial liabilities in accordance with AASB 9. On adoption, the Group assessed each of its financial assets held to determine whether they met the criteria to be measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income.

The Group has elected to classify its existing listed and unlisted equity securities as 'financial assets measured at fair value through other comprehensive income' as it more closely reflects the manner in which the Group manages its investment portfolio. The fair value measurements for these securities will now be recorded in other comprehensive income and not subsequently reclassified to profit or loss.

There were no material changes in the measurement of the Group's financial liabilities as a result of adopting AASB 9.

Hedge accounting
AASB 9 introduced a hedge accounting model which simplifies hedge accounting outcomes and more closely align hedge accounting with risk management objectives. The impact from adopting AASB 9 on the Group's hedging positions was a decrease of $0.4 million to the Group's cash flow hedge reserve.

Impairment
AASB 9 introduced a new impairment assessment model for financial assets that impacts the Group's assessment of its provision for impairment losses. Under AASB 9, the provision for impairment losses is assessed as the expected credit losses over a 12 month period or the lifetime of expected credit losses for the financial asset.

The impact from adopting AASB 9 on the Group's provision for impairment losses on trade receivables was an increase of $6.2 million to the provision and a corresponding adjustment to retained earnings on transition.

A number of new standards, amendment to standards and interpretations are effective for future reporting periods. Other than AASB 9, these standards have not been applied in preparing this Consolidated Interim Financial Report.

(C) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

In preparing this Consolidated Interim Financial Report, the significant judgments made by management in applying the Group's accounting policies and key sources of estimation and uncertainty were the same as those applied to the consolidated financial statements as at, and for the year ended, 30 June 2015. Specifically, the following critical estimates and judgements reconsidered in this reporting period were:
- Revenue recognition - maintenance and repair contracts
- Income tax
- Control, joint control or significant influence over equity accounted investees
- Impairment of investments accounted for using the equity method
- Dependency on key suppliers
- Impairment of intangible assets
- Restoration provisions.

IOC withholding tax
The Group received a judgement in December 2014 in relation to a disputed withholding tax amount referable to the 2000 Sydney Olympic Games. The Australian Taxation Office (ATO) has appealed this decision and the outcome of the appeal has not yet been determined. The Group continues to hold $10.9 million as a receivable pending the outcome of the appeal.

2. OPERATING SEGMENTS

RECOGNITION AND MEASUREMENT

Identification of reportable segments

The accounting policies used by the Group in reporting segments internally are the same as those described in the 2015 Annual Report.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The operating segments are identified by management based on the manner in which products are sold, the nature of services provided and country of origin.

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

The Group is domiciled in Australia and operates predominantly in three countries: Australia, China and the United States of America.

2. OPERATING SEGMENTS (CONTINUED)

	WesTrac Australia[(a)]		WesTrac China		AllightSykes[(a)]		Coates Hire		Media investments[(b)]		Energy[(c)]		Other investments[(c)]		Total	
	Dec 15 $m	Dec 14 $m	Dec 15 $m	Dec 14 $m	Dec 15 $m	Dec 14 $m	Dec 15 $m	Dec 14 $m	Dec 15 $m	Dec 14 $m	Dec 15 $m	Dec 14 $m	Dec 15 $m	Dec 14 $m	Dec 15 $m	Dec 14 $m
Segment revenue																
Sales to external customers	1,067.2	1,072.6	258.2	276.8	39.4	43.2	-	-	-	-	3.8	5.2	-	-	1,368.6	1,397.8
Segment result																
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)[(d)(e)]	99.0	101.8	12.6	17.6	0.7	(1.1)	2.5	8.4	60.4	58.6	3.5	4.3	18.4	20.0	197.1	209.6
Depreciation and amortisation	(13.9)	(14.6)	(2.8)	(4.8)	(1.2)	(2.1)	-	-	-	-	(1.7)	(1.6)	(0.1)	(0.2)	(19.7)	(23.3)
Segment earnings before interest and tax (EBIT)[(e)]	**85.1**	**87.2**	**9.8**	**12.8**	**(0.5)**	**(3.2)**	**2.5**	**8.4**	**60.4**	**58.6**	**1.8**	**2.7**	**18.3**	**19.8**	**177.4**	**186.3**
Other segment information																
Share of results of equity accounted investees included in segment EBIT (excluding significant items)[(f)]	(0.1)	1.9	-	-	-	-	1.7	7.2	57.5	43.6	-	-	0.2	0.3	59.3	53.0
Impairment of assets recognised in profit or loss	-	-	-	(71.4)	-	-	-	-	(182.2)	(195.5)	-	-	-	-	(182.2)	(266.9)
Capital expenditure	(20.9)	(16.6)	(0.9)	(0.8)	(0.7)	(0.5)	-	-	-	-	(25.7)	(6.2)	(2.4)	-	(50.6)	(24.1)
	Dec 15 $m	Jun 15 $m	Dec 15 $m	Jun 15 $m	Dec 15 $m	Jun 15 $m	Dec 15 $m	Jun 15 $m	Dec 15 $m	Jun 15 $m	Dec 15 $m	Jun 15 $m	Dec 15 $m	Jun 15 $m	Dec 15 $m	Jun 15 $m
Balance sheet																
Investments accounted for using the equity method	29.0	29.1	-	-	-	-	292.1	291.7	479.5	631.1	-	-	32.0	32.0	832.6	983.9
Other segment assets	1,494.4	1,524.2	721.9	705.8	46.9	45.9	-	-	93.8	71.7	668.0	825.9	684.6	745.1	3,709.6	3,918.6
Segment assets	**1,523.4**	**1,553.3**	**721.9**	**705.8**	**46.9**	**45.9**	**292.1**	**291.7**	**573.3**	**702.8**	**668.0**	**825.9**	**716.6**	**777.1**	**4,542.2**	**4,902.5**
Segment liabilities	**(390.8)**	**(394.8)**	**(238.9)**	**(194.2)**	**(14.5)**	**(13.8)**	**-**	**-**	**-**	**-**	**(58.3)**	**(92.1)**	**(22.8)**	**(25.2)**	**(725.3)**	**(720.1)**

(a) WesTrac Australia and AllightSykes segment results above have been reduced in relation to the elimination of sales to Coates Hire due to the Group's interest in Coates Hire.
(b) Media investments comprise investments accounted for using the equity method and financial assets fair valued through other comprehensive income.
(c) The Energy segment now includes amounts in relation to the Group's investment in Beach Energy Limited and Drillsearch Energy Limited. Comparatives have been restated as the amounts were previously disclosed in Other investments.
(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 costs, income tax and significant items.
(f) In the prior period, Coates Hire segment EBITDA, EBIT and share of results of equity accounted investees excludes share of results from equity accounted investees attributable to significant items.

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

2. OPERATING SEGMENTS (CONTINUED)

ANALYSIS BY GEOGRAPHICAL AREA

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

The WesTrac China segment represents all revenue derived from China. The Energy segment includes revenue derived from the United States of America of $3.8 million (December 2014: $5.2m).

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

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Australia is $853.9 million (June 2015: $922.0 million). The total of non-current assets located in China is $345.2 million (June 2015: $331.6 million) and the United States of America is $107.2 million (June 2015: $101.2 million).

SEGMENT RECONCILIATIONS

Reconciliation of segment EBIT to net profit/(loss) before tax per consolidated statement of profit or loss	Dec 15 $m	Dec 14 $m
Segment earnings before interest and tax (EBIT)	177.4	186.3
Corporate operating costs	(10.2)	(11.4)
Acquisition transaction costs incurred	-	(4.8)
Significant items in other income	9.3	10.9
Loss on disposal of derivative financial instruments	(4.6)	-
Gain on sale of investments and equity accounted investees	7.7	27.4
Share of results from equity accounted investees attributable to significant items	18.1	(17.3)
Impairment of equity accounted investees	(182.2)	(195.5)
Fair value movement of derivatives	(0.8)	(18.9)
Impairment of intangible assets	-	(71.4)
Restructuring and redundancy costs	(2.6)	(1.4)
Net finance expense	(43.6)	(17.2)
Loss before tax per consolidated statement of profit or loss	**(31.5)**	**(113.3)**

Reconciliation of segment operating assets to total assets per consolidated statement of financial position	Dec 15 $m	Jun 15 $m
Segment operating assets	4,542.2	4,902.5
Assets held at corporate level	16.5	11.2
Corporate cash holdings	305.0	290.7
Current tax assets	-	11.0
Deferred tax assets	32.2	12.9
Derivative financial instruments	168.5	144.6
Total assets per consolidated statement of financial position	**5,064.4**	**5,372.9**

Reconciliation of segment operating liabilities to total liabilities per consolidated statement of financial position	Dec 15 $m	Jun 15 $m
Segment operating liabilities	(725.3)	(720.1)
Liabilities held at corporate level	(62.2)	(62.2)
Current interest bearing loans and borrowings	(153.6)	(79.2)
Non-current interest bearing loans and borrowings	(1,560.5)	(1,556.1)
Current tax liabilities	(3.8)	(6.4)
Deferred tax liabilities	-	(98.3)
Derivative financial instruments	(26.3)	(41.2)
Total liabilities per consolidated statement of financial position	**(2,531.7)**	**(2,563.5)**

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ITEMS

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

	Dec 15 $m	Dec 14 $m
SIGNIFICANT ITEMS		
Net gain on sale of investments and equity accounted investees	7.7	27.4
Impairment of equity accounted investee	(182.2)	(195.5)
Share of results from equity accounted investees attributable to significant items	18.1	(17.4)
Impairment of intangible assets	-	(71.4)
Loss on disposal of derivative financial instruments	(4.6)	-
Fair value movement of derivatives	(0.8)	(18.9)
Restructuring and redundancy costs	(2.6)	(1.4)
Significant items in other income	9.3	10.9
Significant items in finance income	-	16.3
Acquisition transaction costs incurred	-	(4.8)
Total significant items before income tax	**(155.1)**	**(254.8)**
ATO formation valuation settlement	-	142.3
Income tax benefit on significant items	50.6	63.0
Total significant items	**(104.5)**	**(49.5)**

Net gain on sale of investments and equity accounted investees relates to the net profit realised on the sale of stage four of the Kings Square property development in Perth, Western Australia in the current period. The prior period includes the net gain on disposal of equity derivatives and listed equity securities.

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

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 on sale of property, restructuring and redundancy costs, payments for the termination of senior management and onerous contract provisions.

Impairment of intangible assets relates to the impairment of the WesTrac China distribution network in the prior period.

Loss on disposal of derivative financial instruments relates to the loss on the unwind of derivative equity positions during the period.

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

Restructuring and redundancy costs relate to the restructuring programs undertaken by WesTrac China in the current period and WesTrac Australia in the prior period.

Significant items in other income relates to leasing bonuses received and in the prior period, a one-off legal settlement receivable.

Significant items in finance income comprises finance fee income in the prior period relating to the loans receivable from Nexus Energy Limited prior to acquisition.

Acquisition transaction costs incurred relates to acquisition costs incurred for one-off transactions.

ATO formation valuation settlement comprises the settlement in the prior period of an outstanding tax objection with the Australian Taxation Office (ATO).

Notes to the Consolidated Financial Statements

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

4. REVENUE AND EXPENDITURE

	Dec 15 $m	Restated Dec 14 $m
REVENUE		
Revenue from product sales	551.1	561.9
Revenue from product support	813.7	830.7
Revenue from sale of oil, gas and condensate	3.8	5.2
Total revenue	**1,368.6**	**1,397.8**
EXPENDITURE EXCLUDING DEPRECIATION AND AMORTISATION		
Materials cost of inventory sold and used in product sales and product support	(878.5)	(890.2)
Raw materials and consumables purchased	(47.9)	(45.5)
Employee benefits	(245.3)	(255.5)
Operating lease rental	(33.0)	(34.5)
Impairment of intangible assets	-	(71.4)
Loss on disposal of derivatives	(4.6)	-
Fair value movement of derivatives	(0.8)	(18.9)
Other expenses	(87.2)	(92.1)
Total expenses excluding depreciation and amortisation	**(1,297.3)**	**(1,408.1)**

5. INCOME TAX

	Dec 15 $m	Dec 14 $m
INCOME TAX EXPENSE		
Current tax expense	(4.6)	(134.2)
Deferred tax benefit	35.4	169.9
ATO formation valuation settlement	-	142.3
Adjustment for prior periods - non-temporary differences	7.8	4.5
Total income tax benefit in consolidated statement of profit or loss	**38.6**	**182.5**
RECONCILIATION BETWEEN TAX EXPENSE AND PRE-TAX STATUTORY PROFIT:		
Income tax using the domestic corporation tax rate 30%	9.5	34.0
Recognition of deferred tax asset on capital and revenue losses, not previously recognised	0.1	1.0
Franked dividends	13.3	12.3
Share of equity accounted investees' net profit	0.5	1.7
Non-assessable income	7.8	7.9
Non-deductible expenses	(0.8)	(0.6)
Deferred tax asset not recognised in relation to impairment of assets	-	(21.4)
ATO formation valuation settlement	-	142.3
Over provided in prior years	7.8	4.5
Difference in overseas tax rates	0.4	0.8
Income tax benefit	**38.6**	**182.5**
DEFERRED INCOME TAX RECOGNISED DIRECTLY IN EQUITY		
Relating to financial assets at fair value through other comprehensive income	73.0	(12.8)
Relating to cash flow hedge reserve	(1.9)	(5.3)
Relating to foreign currency translation	-	1.0
Total deferred income tax recognised directly in equity	**71.1**	**(17.1)**

A number of entities within the Group are the subject of risk reviews by Australian and overseas taxation authorities. These reviews are in the ordinary course of business.

6. EARNINGS PER SHARE

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

	Dec 15 $	Dec 14 $
STATUTORY EARNINGS PER SHARE		
Ordinary shares - total earnings per share from continuing operations		
Basic and diluted	(0.02)	0.18

	6 months to Dec 15 $m	6 months to Dec 14 $m
EARNINGS RECONCILIATION BY CATEGORY OF SHARE		
Ordinary shares	(5.8)	55.4
TELYS4	12.3	13.1
Net profit attributable to equity holders of the Company	**6.5**	**68.5**

	Dec 15 #m	Dec 14 #m
WEIGHTED AVERAGE NUMBER OF SHARES		
Ordinary shares for basic earnings per share		
Issued shares as at 1 July	296.2	302.7
- Shares bought back and cancelled - 1 July 2015 to 31 December 2015	(14.6)	-
- Shares bought back and cancelled - 1 July 2014 to 9 December 2014	-	(6.4)
Issued shares as at 31 December	**281.6**	**296.3**
Weighted average number of shares (basic and diluted) at 31 December[(a)]	**290.0**	**300.6**

(a) The weighted average number of shares used to calculate underlying earnings per share is the same as the weighted average number of shares used to calculate statutory earnings per share.

	Dec 15 $	Dec 14 $
UNDERLYING EARNINGS PER SHARE FROM CONTINUING OPERATIONS		
Ordinary shares - total underlying earnings per share from continuing operations		
Basic and diluted	0.34	0.35

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

	Dec 15 $m	Dec 14 $m
UNDERLYING EARNINGS RECONCILIATION BY CATEGORY OF SHARE		
Net profit attributable to equity holders of the Company	6.5	68.5
Add: significant items (refer Note 3)	104.5	49.5
Underlying net profit attributable to equity holders of the Company	111.0	118.0
Underlying earnings allocated to category of share:		
Ordinary shares	98.7	104.9
TELYS4	12.3	13.1
Net underlying profit attributable to equity holders of the Company	**111.0**	**118.0**

7. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Dec 15 $m	Jun 15 $m
Investments in associates:		
Seven West Media Limited	479.5	631.1
Individually immaterial associates	32.6	32.8
Investments in joint ventures:		
Coates Group Holdings Pty Limited	292.1	291.7
Individually immaterial joint ventures	28.4	28.3
Total investments accounted for using the equity method	**832.6**	**983.9**

SEVEN WEST MEDIA LIMITED

Seven West Media Limited (Seven West Media) is the leading listed national multi-platform media business based in Australia. The Group has classified its investment in Seven West Media as an associate as the Group, through its 41.0 per cent ownership interest (June 2015: 40.9 per cent) and equivalent voting rights has the ability to significantly influence, but not control or jointly control the financial and operating policy decisions of Seven West Media. The Group's interest in Seven West Media has increased following the cancellation of ordinary shares by Seven West Media under the Seven West Media on-market share buy-back. The Group's investment in Seven West Media is held for strategic purposes and disclosed within the Media investments segment.

COATES GROUP HOLDINGS PTY LIMITED

Coates Group Holdings Pty Limited (Coates Hire) is Australia's largest and leading rental company. The investment deed entered into by a wholly-owned Group subsidiary, National Hire Group Limited (National Hire) and The Carlyle Group (Carlyle) confers equal control rights of Coates Hire to each of National Hire and Carlyle. As the Group has joint control and Coates Hire is a separate entity in which the Group has an interest in the residual net assets, the Group's investment in Coates Hire is classified as a joint venture. The Group's investment in Coates Hire is held for strategic purposes and disclosed within the Coates Hire segment. Although the Group's voting rights in Coates Hire are 50%, the Group has determined its economic interest to be 46.4 per cent (June 2015: 46.4 per cent) after considering vesting conditions for options issued under Coates Hire's Management Equity Plan.

	Dec 15 $m	Dec 14 $m
SHARE OF INVESTEES' NET PROFIT		
Investments in associates:		
Seven West Media Limited	55.4	29.7
Individually immaterial associates	13.9	1.9
Investments in joint ventures:		
Coates Group Holdings Pty Limited	1.7	3.8
Individually immaterial joint ventures	6.4	0.3
Share of results from equity accounted investees	**77.4**	**35.7**

The Group received cash dividends and distributions of $45.3 million from its investments in equity accounted investees during the half-year ended 31 December 2015 (December 2014: $24.6 million).

Notes to the Consolidated Financial Statements

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

	Dec 15 $m	Jun 15 $m
MARKET VALUES OF LISTED INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		
Seven West Media Limited		
Book value	479.5	631.1
Market value	479.5	631.1

An impairment charge of $182.2 million (December 2014: $195.5 million) relating to the Group's investment in Seven West Media was recognised in impairment of equity accounted investees in the consolidated statement of profit or loss and other comprehensive income during the period.

8. PRODUCING AND DEVELOPMENT ASSETS

	Dec 15 $m	Jun 15 $m
PRODUCING AND DEVELOPMENT ASSETS		
At cost	228.6	219.0
Accumulated depreciation	(12.6)	(10.5)
Total producing and development assets	**216.0**	**208.5**

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

The Australian assets were acquired as part of the acquisition of Nexus Energy Limited on 31 December 2014. As part of finalising the acquisition accounting (refer to Note 17: Business Combination), the Group's investment in the Crux oil and gas joint venture operation has been reclassified from a development asset to an exploration and evaluation asset (refer Note 9: Exploration and Evaluation Assets), consistent with the characterisation adopted by the Operator, Shell Australia Pty Ltd (Shell). The comparative information has been restated. The Longtom asset continues to be classified as a development asset.

The Longtom asset was recorded at fair value at the time of the purchase of Nexus Energy Limited on 31 December 2014. No impairment has been identified at 31 December 2015 consistent with there being no significant adverse change in Australian East Coast gas pricing in the period to date. Any material adverse change in a key assumption may result in an impairment.

8. PRODUCING AND DEVELOPMENT ASSETS (CONTINUED)

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

As at 31 December 2015, the Group performed an impairment review of its producing and development assets in accordance with *AASB 136: Impairment of Assets.* The recoverable amount of the Group's investment in these assets was determined using a fair value less cost of disposal approach. This approach used a discounted cash flow (DCF) model based on estimates of future production, energy prices, tolling fees, capital expenditure, discount rates and other relevant metrics. In preparing the DCF models, the Group adopted a long-term Brent oil price forecast based on a combination of observable short to medium term market data and independent long-term forecasts.

SENSITIVITY ANALYSIS

A sensitivity analysis was performed on the recoverable value produced by the DCF models based on changes to the long-term oil price assumption. A loss of impairment headroom of $19.6 million and impairment provision of $27.7 million referable to the Group's producing and development assets would be required to be recognised by the Group if the long-term Brent oil price assumption is US$10 per barrel lower in real terms.

9. EXPLORATION AND EVALUATION ASSETS

	Dec 15 $m	Jun 15 $m
EXPLORATION AND EVALUATION ASSETS		
At cost	213.8	238.5
Total exploration and evaluation assets	**213.8**	**238.5**

Exploration and evaluation assets are located in Australia.

The assets were acquired as part of the acquisition of Nexus Energy Limited on 31 December 2014. As part of finalising the acquisition accounting (refer to Note 17: Business Combination), the Group's investment in the Crux oil and gas joint venture operation has been reclassified from a development asset to an exploration and evaluation asset, consistent with the characterisation adopted by the Operator, Shell. The comparative information has been restated.

The Group continues to work with Shell as Operator and fellow Crux joint venture members in conducting the necessary technical feasibility studies, as well as evaluating commercialisation and development options for the Crux asset to enable final investment decision by the end of the Retention Lease period in 2017. There are no facts or circumstances indicating an impairment of the asset under *AASB 6: Exploration for and Evaluation of Mineral Resources* at 31 December 2015.

The recoverability of the Crux joint venture remains dependent on successful development and commercial exploitation, or alternatively sale of the respective area of interest.

10. NOTES TO THE CASH FLOW STATEMENT

	Dec 15 $m	Dec 14 $m
Reconciliation of profit for the period to net cash flows related to operating activities		
Profit after tax	**7.1**	**69.2**
Depreciation and amortisation:		
Property, plant and equipment	17.8	21.7
Intangible assets	1.9	2.0
Capitalised borrowing costs	1.1	0.9
Share of results from equity accounted investees	(77.4)	(35.7)
Share based payment expense	1.7	0.6
Dividends received from equity accounted investees	45.3	24.6
Other investment income	-	(13.8)
Gain on sale of property, plant and equipment	(7.7)	-
Net gain on sale of investments and equity accounted investees	-	(27.4)
Loss on disposal of derivative financial instruments	4.6	-
Fair value movement of derivatives	0.8	18.9
Non-cash interest and finance fee income - Nexus Energy Limited	-	(27.3)
Impairment of equity accounted investee	182.2	195.5
Impairment of intangible assets	-	71.4
Other	(3.5)	(0.1)
Movement in:		
Trade and other receivables	20.3	73.6
Inventories	19.2	(30.1)
Other assets	(11.4)	14.6
Trade and other payables/deferred income	38.3	59.9
Provisions	(0.9)	(10.0)
Tax balances	(37.5)	(170.1)
Net operating cash flows	**201.9**	**238.4**

11. INTEREST BEARING LOANS AND BORROWINGS

	Dec 15 $m	Jun 15 $m
CURRENT		
Interest bearing liabilities	5.9	32.8
Non-interest bearing liabilities	40.0	40.0
Fixed term US dollar notes	102.7	-
Finance lease liabilities	5.0	6.4
	153.6	**79.2**
NON-CURRENT		
Interest bearing liabilities	906.8	832.2
Finance lease liabilities	0.2	3.6
Fixed term US dollar notes	657.9	725.9
Less: capitalised borrowing costs net of accumulated amortisation	(4.4)	(5.6)
	1,560.5	**1,556.1**

The current interest bearing liabilities of $5.9 million (June 2015: $32.8 million) relate to the Group's working capital facilities. These liabilities are drawn from rolling short dated facilities within China of $216.9 million (June 2015: $262.1 million) and are generally reviewed annually. These liabilities are unsecured.

At 31 December 2015, the Group had available undrawn borrowing facilities of $950.7 million (June 2015: $966.5 million) and also had access to unutilised short dated lines of credit totalling $236.6 million (June 2015: $205.4 million).

12. FINANCIAL INSTRUMENTS

OVERVIEW

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

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

Level 1 Fair value is calculated using quoted prices in active markets.
Level 2 Fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).
Level 3 Fair value is estimated using inputs for the asset or liability that are not based on observable market data.

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

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

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

Classification of financial instruments
The Group has adopted *AASB 9: Financial Instruments (2014)* from 1 July 2015 and conducted a review of the classification of its financial assets and financial liabilities. In accordance with AASB 9:

- financial assets are designated as either:
  - carried at amortised cost through profit or loss;
  - carried at fair value through profit or loss; or
  - carried at fair value through other comprehensive income.
- financial liabilities are designated as either:
  - carried at amortised cost through profit or loss; or
  - carried at fair value through profit or loss.

12. FINANCIAL INSTRUMENTS (CONTINUED)

CARRYING AMOUNTS VERSUS FAIR VALUES

The carrying amount and fair value of financial assets and financial liabilities as shown in the statement of financial position are as follows.

	Dec 15 Carrying amount $m	Dec 15 Fair value $m
Cash and cash equivalents	305.0	305.0
Financial assets/(liabilities) carried at amortised cost through profit or loss		
Trade and other receivables	514.9	514.9
Trade and other payables (excluding accruals)	(345.8)	(345.8)
Fixed term US dollar notes	(760.6)	(804.5)
Interest bearing loans and borrowings	(912.7)	(913.0)
Financial assets carried at fair value through other comprehensive income		
Listed equity securities	844.5	844.5
Unlisted equity securities	72.9	72.9
Derivative financial instruments designated and effective and carried at fair value through profit or loss		
Forward foreign exchange contracts - used for hedging	(12.9)	(12.9)
Cross currency swaps - used for hedging	168.2	168.2
Interest rate swaps - used for hedging	(3.9)	(3.9)
Equity derivatives	(9.2)	(9.2)
Total financial assets and financial liabilities	**(139.6)**	**(183.8)**

Financial instruments, carried at fair value, as well as the methods used to estimate the fair value are summarised below. There have been no transfers between different levels in the fair value hierarchy in the period.

	Level in fair value hierarchy	Dec 15 Carrying amount $m	Dec 15 Fair value $m	Jun 15 Carrying amount $m	Jun 15 Fair value $m
Financial assets measured at fair value through other comprehensive income					
Listed equity securities	1	844.5	844.5	1,097.6	1,097.6
Unlisted equity securities	3	72.9	72.9	43.3	43.3
		917.4	**917.4**	**1,140.9**	**1,140.9**
Financial assets measured at fair value through profit or loss					
Derivative financial instruments	2	168.5	168.5	144.6	144.6
		168.5	**168.5**	**144.6**	**144.6**
Financial liabilities measured at fair value through profit or loss					
Derivative financial instruments	2	(26.3)	(26.3)	(41.2)	(41.2)
		(26.3)	**(26.3)**	**(41.2)**	**(41.2)**

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of listed equity securities are based on quoted market prices.

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs. Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include interest rate swaps and foreign exchange contracts not traded on a recognised exchange.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	Dec 15 $m	Jun 15 $m
CURRENT ASSETS		
Forward foreign exchange contracts - cash flow hedges	0.3	2.5
NON-CURRENT ASSETS		
Cross currency swaps - cash flow hedges	168.2	142.1
CURRENT LIABILITIES		
Forward foreign exchange contracts and cross currency swaps - cash flow hedges	(6.0)	(4.6)
Interest rate swaps - cash flow hedges	(3.9)	-
Other derivatives	(9.2)	(7.4)
	(19.1)	(12.0)
NON-CURRENT LIABILITIES		
Forward foreign exchange contracts and cross currency swaps - cash flow hedges	(7.2)	(22.6)
Interest rate swaps - cash flow hedges	-	(6.6)
	(7.2)	(29.2)
Net derivative financial instruments	**142.2**	**103.4**

The Group is a party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates, foreign exchange rates and equity prices in accordance with the Group’s financial risk management policies.

Interest rate swaps
The Group's policy is to hedge a portion of its interest bearing liabilities from exposure to changes in interest rates.

The gain or loss from remeasuring the hedging instruments to fair value is deferred in equity in the hedge reserve and reclassified into profit or loss when the hedged interest expense is recognised. To the extent that the hedge is ineffective or undesignated, the fair value movement is recognised as fair value through profit or loss.

Forward foreign exchange contracts
The Group enters into forward foreign currency exchange contracts to hedge a portion of the US Dollar (USD) denominated debt in conjunction with cross currency swaps. The Group has obligations to repay the principal amount of USD denominated debt and interest thereon. 100% of USD denominated debt and coupon obligations are hedged with foreign exchange derivatives.

The Group from time to time also enters into forward foreign exchange contracts to hedge certain known trading commitments predominantly denominated in USD. The terms of these commitments are generally shorter than one year.

Cross currency swaps
The Group has obligations to repay the principal and interest relating to USD denominated debt. The Group enters into cross currency swap contracts to hedge a portion of these obligations.

Other derivatives
Other derivatives comprise equity derivatives. The Group enters into equity derivatives from time to time to hedge the value of listed investments or to gain exposure to certain market sectors.

14. CAPITAL

	Dec 15 $m	Jun 15 $m
SHARE CAPITAL		
281,640,498 ordinary shares, fully paid (June 2015: 296,181,800)	2,048.6	2,118.1
4,963,640 TELYS4 preference shares, fully paid (June 2015: 4,963,640)	427.2	427.2
77,544 treasury shares, fully paid (June 2015: 116,316)	(0.5)	(0.7)
Balance at end of the period	**2,475.3**	**2,544.6**
MOVEMENTS IN ORDINARY SHARES		
Balance at beginning of the period	2,118.1	2,159.0
On-market share buy-back and cancellation of shares - 1 July 2015 to 31 December 2015 (14.6 million shares)	(69.5)	-
On-market share buy-back and cancellation of shares - 1 July 2014 to 30 June 2015 (6.5 million shares)	-	(40.9)
Balance at end of the period	**2,048.6**	**2,118.1**

The Company does not have authorised share capital or par value in respect of its shares. All issued shares are fully paid. The Company's on-market share buy-back, which was announced on 25 February 2015, continues with a further 3.0 million shares to be acquired to reach the target 17.7 million shares.

15. DIVIDENDS

	Date of payment	Franked / unfranked	Amount per share	Dec 15 $m	Dec 14 $m
DIVIDENDS PAID					
Ordinary shares					
Final dividend in respect of 2015 year	9 Oct 15	Franked	$ 0.20	58.5	-
Final dividend in respect of 2014 year	13 Oct 14	Franked	$ 0.20	-	60.5
Transferable Extendable Listed Yield Shares (TELYS4)					
Dividend	30 Nov 15	Franked	$ 2.4497	12.1	-
Dividend	1 Dec 14	Franked	$ 2.6176	-	13.0
Total dividends paid				**70.6**	**73.5**
SUBSEQUENT EVENT					
Current period interim dividend on ordinary shares proposed but not provided					
Ordinary shares					
Interim dividend in respect of 2016 year	12 Apr 16	Franked	$ 0.20	56.3	

The current TELYS4 Dividend Rate for the period 30 November 2015 to 30 May 2016 is 4.9805 per cent per annum, fully franked. The cash paid is reduced to the extent of any franking credits attached.

16. EVENTS SUBSEQUENT TO BALANCE DATE

Other than as outlined below, there has not arisen in the interval between 31 December 2015 and the date of this Report any event that would have had a material effect on the Consolidated Interim Financial Report as at 31 December 2015.

MERGER OF BEACH ENERGY LIMITED AND DRILLSEARCH ENERGY LIMITED

On 27 January 2016, nearly 94 per cent of Drillsearch Energy Limited's (Drillsearch) shareholders voted in favour of the scheme of arrangement to implement the proposed merger of Beach Energy Limited with Drillsearch. The Federal Court of Australia approved the scheme on 18 February 2016. Following the merger, the Group will account for its interest in the merged company as an equity accounted investee.

SYNDICATED LOAN FACILITY

On 2 February 2016, the Group negotiated the extension of the corporate syndicated loan facility. The facility was extended by 12 months, however the limit was decreased from $900.0 million to $850.0 million for the extension year. The facility will now mature in February 2020.

SHARE BUY-BACK

The Company announced it would refresh its capacity to undertake a further on-market share buy-back of up to 16.6 million shares including the three million shares remaining in the current program.

17. BUSINESS COMBINATION

ACQUISITION OF NEXUS ENERGY LIMITED (PRIOR YEAR ACQUISITION)

The accounting for the acquisition of Nexus Energy Limited was completed during the period.

The final acquisition accounting resulted in a $25.9 million reduction in the goodwill recognised on acquisition, predominantly attributable to a reduction in the fair value of provisions for restoration of $12.4 million as well as a reduction in trade and other payables of $18.0 million. The Group's investment in Crux was reclassified from a development to an exploration asset, resulting in a reclassification of $224.5 million. Refer to Note 9: Exploration and evaluation assets for further detail.

	Final $m	Provisional $m
Consideration		
Consideration paid, net of cash acquired	221.4	221.4
Identifiable assets acquired and liabilities assumed		
Trade and other receivables	3.5	11.7
Producing and development assets	101.6	326.1
Exploration and evaluation assets	230.0	5.5
Deferred tax assets	0.9	-
Trade and other payables	(14.9)	(32.9)
Provisions (including employee benefits)	(99.7)	(114.9)
Fair value of net identifiable assets	**221.4**	**195.5**
Goodwill on acquisition		
Total consideration transferred for accounting purposes at fair value	221.4	221.4
Fair value of identifiable net assets	(221.4)	(195.5)
Goodwill on acquisition	-	**25.9**

There is no goodwill on acquisition, reflecting the limited synergies with the Group's other operating businesses.

For further details on the acquisition of Nexus Energy Limited refer to Note 30: Business Combination in the 2015 Annual Report. In determining the fair value of assets acquired in a business combination, management have used reports prepared by valuation specialists.

17. BUSINESS COMBINATION (CONTINUED)

ACQUISITION OF VERSATECH (PRIOR YEAR ACQUISITION)

The acquisition accounting for the acquisition of business assets of Versatech Engineering Services, as disclosed in Note 30: Business Combination of the 2015 Annual Report remains provisional and is yet to be finalised.

18. RELATED PARTY TRANSACTIONS

Arrangements with related parties continue to be in place. For details of these arrangements refer to the Remuneration Report and Note 31 of the 2015 Annual Report. There have been no substantial related party transactions entered into during the period.

Directors' Report

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

The Directors of Seven Group Holdings Limited (the Company) are pleased to present their report together with the consolidated financial statements for the half-year ended 31 December 2015 and the review report thereon.

DIRECTORS

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

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

REVIEW OF RESULTS AND OPERATIONS

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

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

The lead auditor's independence declaration is set out on page 26 and forms part of the Directors' Report for the half-year ended 31 December 2015.

ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in 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 unless otherwise stated.

Signed in accordance with a resolution of the Directors

KM Stokes AC
Executive Chairman

23 February 2016

KPMG

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

To: the Directors of Seven Group Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2015 there have been:

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

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

KPMG

KPMG

Kevin Leighton
Partner

Sydney

23 February 2016

Directors' Declaration

SEVEN GROUP HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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

1. the consolidated financial statements and notes set out on pages 3 to 24 are in accordance with the Corporations Act 2001 including:
   - (a) giving a true and fair view of the Group’s financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
   - (b) complying with Australian Accounting Standard *AASB 134: Interim Financial Reporting* and the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors

KM Stokes AC
Executive Chairman

23 February 2016

Independent auditor's review report to the members of Seven Group Holdings Limited

We have reviewed the accompanying half-year financial report of Seven Group Holdings Limited, which comprises the Consolidated Statement of Financial Position as at 31 December 2015, Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the half-year ended on that date, notes 1 to 18 comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Seven Group Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Kevin Leighton
Partner

Sydney

23 February 2016