



**STRENGTH, COMMUNITY, RESILIENCE**

2020 TAX TRANSPARENCY REPORT



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 also owns Coates Hire, Australia's largest equipment hire business; and AllightSykes, a supplier of lighting towers, generators and pumps. The Group also has a 28.5 per cent shareholding in Beach Energy and has interests in oil and gas projects in Australia and the United States. In media, SGH has a 40 per cent shareholding in Seven West Media, one of Australia's largest multiple platform media companies, including the Seven Network and The West

### **About this Report**

In this Report references to "Seven Group Holdings", "SGH", "the company", "the Group", "we", "us" and our refer to Seven Group Holdings Limited (ABN 46 142 003 469), unless otherwise stated. References in this report to a "year" are to the financial year ended 30 June 2020 unless otherwise stated. All dollar figures are expressed in Australian dollars (AUD) unless otherwise stated. This report should be read in conjunction with the [SGH Annual Report](#).

Included in this Report is data prepared by the management of Seven Group Holdings Limited ("SGH") and other associated entities. This data is included for information purposes only and has not been subject to the same level of review by the company as the financial statements, so is merely provided for indicative purposes. The company and its employees do not warrant the data and disclaim any liability flowing from the use of this data by any party.

# MESSAGE FROM THE MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER



The Board of Seven Group Holdings Limited (“SGH”) is committed to complying with all aspects of good corporate governance including transparency. On behalf of the Board, I am proud to present the Tax Transparency Report for the financial year ended 30 June 2020.

The report demonstrates the Group’s support of the Voluntary Tax Transparency Code to provide additional tax transparency to our stakeholders and the community.

The report provides an overview of SGH’s approach to tax risk management and strategy. It also highlights the robust governance policies which exist across the Group. The report contains the disclosures required to comply with the Australian Voluntary Tax Transparency Code, including details of intra-group international related party dealings and revenue contributed to Australian State and Federal Governments via taxes and levies paid.

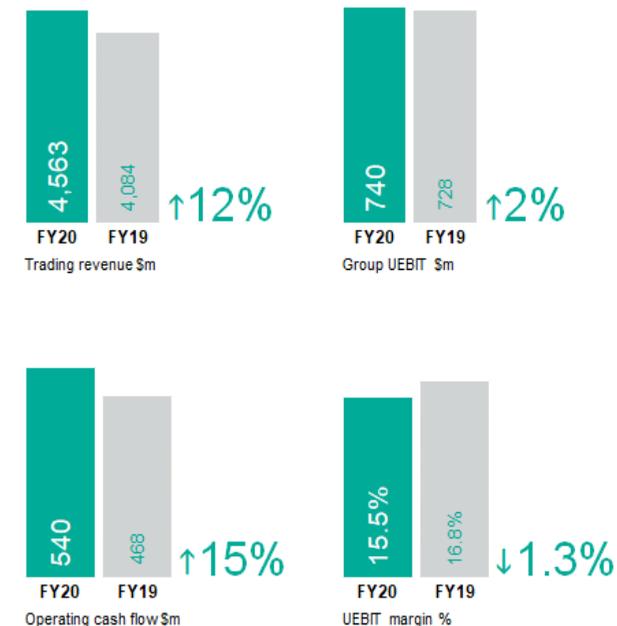
The Group is committed to building sustained shareholder value by demonstrating high quality tax management with a view to preserving and enhancing the Group’s integrity and reputation.

The Group’s aim is to meet its tax obligations by consistently applying sound tax risk management principles within the agreed framework and consistent with the Group’s risk framework.

## 2020 Highlights

The Group continued to grow revenue and underlying EBIT in FY20, despite the impact of COVID-19 and low oil prices in the second half. The Group continues to demonstrate good fundamentals to navigate this next phase of uncertainty with an improved balance sheet capacity to support future investment.

**RYAN STOKES AO**  
**MANAGING DIRECTOR & CEO**



Note: UEBIT margin on total revenue

# GROUP OVERVIEW BUSINESSES AND MARKETS

## Industrial services



WesTrac (100% owned) is one of the largest CAT dealers globally (by sales) and supports customers in Australia's rich iron ore and thermal coal regions

28 branches  
\$3.5 bn revenue

Focus on parts supply, component rebuilds, parts exchange and autonomous mining

Key customers: BHP, CIMIC, FMG, Glencore, Macmahon, Mineral Resources, Rio Tinto, Roy Hill

## Industrial services



Coates Hire (100% owned) is the largest nationwide industrial and general equipment hire company. AllightSykes is a manufacturer and distributor of lighting, dewatering and power solutions globally

Over 160 branches  
\$1.1 bn revenue

Focus on large tier one customers, mid-tier and trade, engineering solutions

Key customers: BMD, CIMIC, Downer, FMG, John Holland, Lend Lease

## Energy



Beach Energy (28.5% owned) is a leading mid-cap E&P business and a key supplier to a growing East Coast gas market

SGH Energy (100% owned) holds operated and non-operated oil and gas interests including 15% of the Crux LNG Project

Key customers: Alinta, AGL, Adelaide Brighton, Origin Energy

## Media investments



Seven West Media (40% owned) is a leading diversified media company in Australia

Monthly Australia-wide audience reach of:  
- 17.3m in Seven Network  
- 9m in 7Digital  
- 3.7m in WAN + digital

Other media investments include interests in China P/E funds

## Mining production

- We provide equipment solutions to the world's largest miners, supporting record production volumes and driving efficiency

## Infrastructure investment

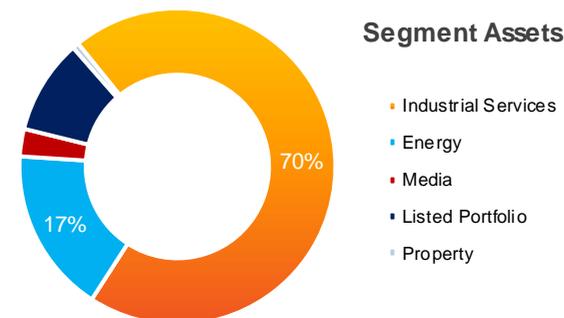
- We are the largest national equipment hire business, providing solutions to major infrastructure and construction customers with a strong pipeline of committed government projects

## East Coast gas

- Beach Energy and SGH Energy are well positioned to meet growing East Coast gas demand and LNG export opportunity

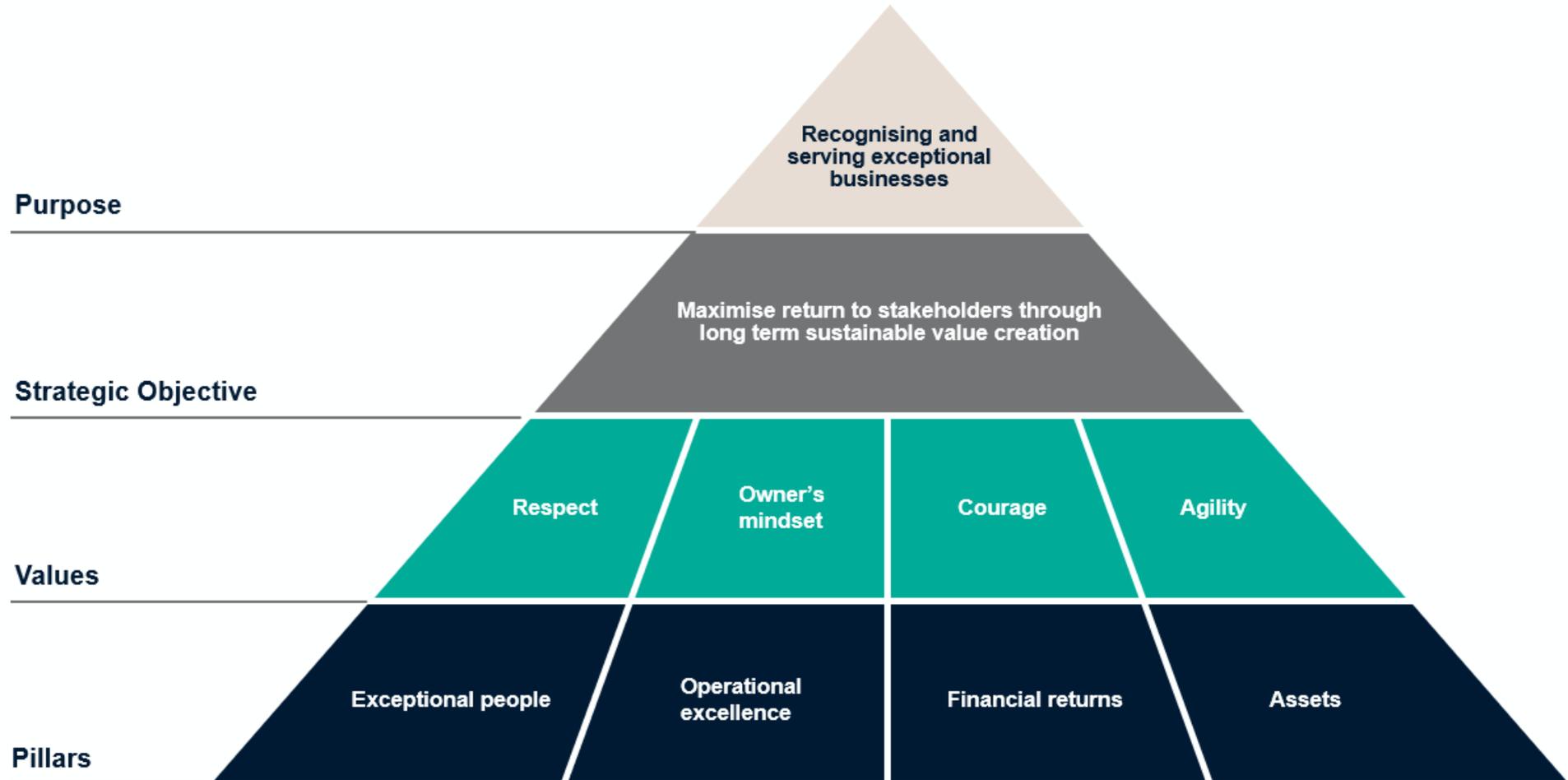
## Diversified investments

- Strong balance sheet to pursue growth opportunities within or adjacent to our existing core businesses



Note: based on segment asset values as at 30 June 2020

# SGH Strategic Plan: Strategic Framework



# TAX POLICY, TAX STRATEGY AND GOVERNANCE

## Corporate Governance

SGH is mindful of its corporate governance responsibilities and has taken a proactive approach to ensuring that it stays at the forefront of corporate governance practices. Tax governance and tax risk management are a key priority of the SGH Board and SGH management.

SGH's tax strategy is based on its commitment to build sustained shareholder value through high quality tax management which ensures the Group's compliance with revenue laws and which preserves and enhances the Company's integrity and reputation. SGH seeks to meet all tax compliance obligations and to consistently apply sound tax risk management principles within the Board approved tax risk management framework and consistent with the Group's overall risk framework. The Group's risk appetite is governed by the "more likely than not" principle which is enshrined in the Group's Tax Risk Management Policy.

The tax risk framework works in conjunction with the Group's other policies including the Code of Conduct, under which employees are expected to behave honestly and openly and with integrity and maintain ethical standards.

The Board is assisted in carrying out its responsibilities by the Audit and Risk Committee ("ARC") whose purpose is to oversee financial risk management and internal controls across the Group, including tax. The ARC is regularly informed of tax matters.

SGH's is committed to achieving the highest standards in the areas of corporate governance and business conduct and its tax responsibilities are managed in line with this commitment. SGH aims for certainty in relation to all tax positions that it adopts.

Formal risk management procedures incorporating tax include the Group's Risk Management Policy and Corporate Governance Statement.

## Engagement with tax authorities

A fundamental tenet of SGH's commitment to governance is the Group's transparent and co-operative relationship with the Australian Taxation Office ("ATO") and other relevant tax authorities on a range of issues as part of the ongoing activities of the Group.

SGH seeks to be proactive and ensure that its engagement with taxation authorities is constructive. The SGH Board recognises that the management of financial and non-financial risks are an integral part of its operation and has established policies and procedures for the oversight and management of material business risks. The Board oversees the risk management framework which is aimed at identifying and delivering improved business processes and procedures across the Group. As part of this commitment, the Tax Risk Management Policy is also regularly reviewed and updated.

# EFFECTIVE COMPANY TAX RATE

The Australian company tax rate applied to the SGH Group is 30 per cent of taxable income. Taxable income represents the net profit of the Group for income tax purposes, that is gross taxable income less allowable deductions or exemptions for the tax year.

The effective tax rate is calculated as income tax expense divided by accounting profit before tax. Non-temporary adjustments to accounting profit generate a difference between a company's effective tax rate and the Australian company tax rate.

Non-temporary adjustments are amounts which are recognised for either accounting or income tax purposes but not both. For example, dividends received by the Group from overseas subsidiaries are exempt income for Australian taxation purposes. The Group pays tax on the profit in the country in which the profit is earned.

Temporary differences arise when amounts are assessable or deductible for tax at a different time to when they are recognised in accordance with the accounting principles adopted by the Group. For example, different depreciation rates may be used for tax and accounting purposes creating a temporary difference over the life of an asset.

Material temporary and non-temporary differences are discussed below and should be read in conjunction with the relevant disclosures in Note 6 of the Annual Report on pages 118 – 120.

## Australian operations

The Australian operations had an effective tax rate of 32.5 per cent for the 2020 year. This compares to 35.3 per cent for the 2019 financial year. The rate for the Group's Australian operations is higher than the corporate income tax rate of 30%. The effective tax rate is impacted by various non-temporary adjustments such as inclusion of profits from equity accounted associates and impairments of investments which are treated as income or expenses from an accounting perspective but not for tax.

## Global operations

SGH's global effective tax rate was 49.1 per cent for 2020 compared with 34.3 per cent for 2019.

The non-temporary adjustment for the impairment of the Bivins Ranch producing and development assets is the major contributing factor to the difference in 2020.

The comparatives are outlined in the table below.

Effective Tax Rates	2020 %	2019 %
Australian operations	32.5	35.3
Global operations	49.1	34.3

## RECONCILIATION - ACCOUNTING PROFIT TO INCOME TAX EXPENSE AND INCOME TAX PAYABLE

The reconciliation of accounting profit to tax expense and tax payable was previously published in the SGH Annual Report in note 6 on page 118. These disclosures were prepared for the statutory accounts in accordance with the relevant Australian Accounting Standard. As such, the values in the accounts reflect the accounting consolidated group, including offshore subsidiaries, subsidiaries in which the Group's investment is less than 100% and equity accounted investees.

Income tax expense in the company's income statement is calculated by multiplying the Group's accounting profit for the year, adjusted for non temporary differences, by the relevant company tax rate (30 per cent in Australia).

### Identification of material temporary and non-temporary differences.

A detailed reconciliation of accounting profit to income tax expense and material temporary and non-temporary differences is disclosed on page 119 of the SGH 2020 Annual Report.

The FY20 non-temporary difference of \$48.3 million was due to the receipt of share of profits and /or impairments in relation to equity accounted investees, the impairment of the Bivins Ranch producing and development assets, the receipt of non assessable foreign dividend income and franked dividend income received from the company's investment portfolio, which are not included in the Group's taxable income.

FY 20 Temporary differences of (\$28.3) million were mainly driven by accounting provisions, depreciation, deferred income and other individually immaterial balances which lead to the difference between tax expense and income tax payable.

Further detail is provided in the SGH Annual Report for the year ended 30 June 2020.

	2020 \$m	2019 \$m
<b>Tax paid or payable reconciliation</b>		
Accounting profit before income tax	231.6	309.0
Income tax expense at the statutory rate of 30%	69.5	92.7
Non-temporary differences	48.3	4.9
Tax Expense	117.8	97.6
Temporary differences: deferred tax	(28.3)	(11.7)
Prior year adjustments	(4.2)	8.5
Current year tax paid or payable	85.3	94.4

# AUSTRALIAN TAX CONTRIBUTION SUMMARY

## Australian taxes borne

The adjacent table details the Australian federal, state and local government taxes contributed by SGH in the 2019 and 2020 years. The Australian taxes represent a significant proportion of SGH's total tax payments each year.

Australian taxes borne by SGH	2020 \$m	2019 \$m
Corporate Income Tax payable <sup>1</sup>	87.0	92.2
<b>Other Taxes</b>		
Payroll tax	39.9	37.0
Fringe Benefits Tax	3.0	2.9
Other (including Local government charges)	1.6	1.7
<b>Total taxes paid/ payable</b>	<b>131.5</b>	<b>133.8</b>

## Australian taxes collected by SGH

In addition to taxes directly borne by SGH, in FY 20 the Group collected and paid \$318.6 million in PAYG employee withholding taxes and GST on behalf of the Australian government. Net GST represents the GST paid on taxable supplies less the value of input tax credits claimed for the relevant financial year.

Australian taxes collected by SGH	2020 \$m	2019 \$m
Employee Withholding taxes	188.6	177.5
Net GST	130.0	95.7
<b>Total taxes collected</b>	<b>318.6</b>	<b>273.2</b>

Basis on which the information has been prepared :

1. The above data comprises wholly-owned subsidiary operations in Australia only. The information does not include the tax contribution of partially owned subsidiaries or equity accounted investments.
2. The value of income tax payable of \$85.3 million referred to on page 8 above includes both Australian and global operations.
3. With the exception of income tax and fringe benefits tax ("FBT"), all other tax information relates to amounts accrued in the relevant financial year.
4. FBT data refers to the FBT paid for the FBT year ended 31 March.

# INTERNATIONAL RELATED PARTY DEALINGS

SGH is an Australian headquartered business. The Group is Australian centric with the majority of its global revenues being generated in Australia. Overall the SGH Group's international revenue represented less than 1% of its global revenues. Similarly the value and volume of international related party dealings is very low. SGH always seeks to ensure that it complies with the regulatory requirements of each of the jurisdictions in which it operates and therefore seeks to price its international related party dealings on an arm's length basis.

There are three key categories of dealings with international related party transactions conducted within the Group

- Sale and purchase of tangible goods such as finished goods and parts may occur as goods are transferred between jurisdictions to meet customer demand. An arm's length consideration is determined for the transfer of these goods.
- Minimal international related party financing occurs between Australian based parent entities and their offshore subsidiaries. Interest rates are set having regard to transfer pricing principles.
- Arm's length consideration is received for various administrative and support services provided by Australian based parent entities to offshore subsidiary businesses.

Country	Nature of Activities
Indonesia	Two active trading operations and one dormant entity
New Zealand	One active trading operation and one dormant entity
South Africa	One dormant entity
United Arab Emirates	One active trading operation
USA	One active trading operation and one dormant entity