

2021 TAX TRANSPARENCY REPORT

SGH

Industrial Services, Media,
Energy and Investments



TOKYO 2020



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 30.0 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 40.2 per cent shareholding in Seven West Media, one of Australia's largest multiple platform media companies, including the Seven Network and The West. The Group has delivered on its industrial services growth agenda with the recent acquisition of 69.6% of Boral Ltd (26.1% at 30 June 2021), a national building products and construction materials supplier.

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 2021 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 continuing to comply 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 2021.

The report demonstrates the Group’s continued 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.

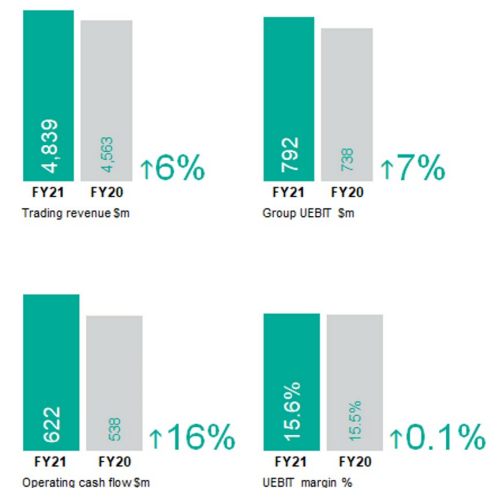
The Group is committed to building sustained shareholder value by demonstrating high quality tax management with a view to preserving and enhancing the Group’s integrity and reputation.

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.

2021 Highlights






The Group has continued to grow revenue and both statutory and underlying EBIT in FY21. The results reflect the strong performance of WesTrac and Coates. The financial outlook is robust with mining production, construction and infrastructure activity expected to remain strong. The energy division is positioned to benefit from improving LNG and domestic gas markets and the successful transformation of Seven West Media provides a positive outlook for our media investments. The Group’s FY22 focus will be on supporting the transformation of the FY22 acquisition of 69.6% of Boral Limited

RYAN STOKES AO
MANAGING DIRECTOR & CEO



Note: UEBIT margin on total revenue

GROUP OVERVIEW BUSINESSES AND MARKETS

Industrials	Industrials	Industrials	Energy	Media
				
100%	100%	26%	Beach 30% SGHE 100%	40%
WesTrac is one of the largest CAT dealers globally (by sales) operating the WA and NSW/ACT territories	Coates is the largest industrial and general equipment hire company with complementary Specialist Services	Boral is a national building products and construction materials Group	Beach Energy is a leading mid-cap E&P business and a key supplier to a growing East Coast gas market	Seven West Media is a leading diversified media company in Australia
28 branches	157 branches	367 sites	Onshore and offshore assets in multiple basins	Monthly Australia-wide audience reach of:
FY21 \$3.8bn revenue	FY21 \$0.9bn revenue	FY21 \$2.9bn revenue (continuing operations)	SGH Energy holds operated and non-operated oil and gas interests including 15% of the Crux LNG Project	16.4m in Seven Network - 6.1m in 7Digital - 3.9m in WAN + digital - 9.2m 7Plus active users
Focus on customers in direct mining, mining contractors, construction and infrastructure	Focus on large tier-one customers, mid-tier and trade, engineering and industrial solutions	Focus on infrastructure, commercial and residential construction		
Employees	Employees	Employees	Employees	Employees
~3,800	~2,000	~5,000	~700 (Beach)	~2,000

GROUP OVERVIEW PORTFOLIO CHANGES

Boral Investment

SGH's investment in Boral Ltd represents a significant value creation opportunity for the Group. An on-market takeover launched in May 2021 led to SGH taking control and holding 69.6% of the Boral Group in July 2021. Details of the acquisition are contained in Note 30 of the annual report on page 137.

The investment will give the group increased exposure to infrastructure and construction and the Groups experience in business transformation and disciplined capital management will help deliver improved margins and returns.

As SGH gained control in July 2021, Boral's disclosures and tax contribution have not been consolidated into the SGH report this year. Boral Ltd will continue to publish an independent report as in prior years. Boral's FY 20 Tax Transparency Report can be found [here](#).

Beach Energy Investment

Beach Energy is also a material associate of SGH. During the year SGH increased its percentage ownership to 30%. Beach's FY 20 Tax Contribution Report can be found [here](#)



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 income 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 96 - 97.

Australian operations

The Australian operations had an effective tax rate of 16.8 per cent for the 2021 year. This compares to 32.5 per cent for the 2020 financial year. The FY21 rate for the Group's Australian operations is lower 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 impairment reversal which are treated as income or expenses from an accounting perspective but not for tax.

Global operations

SGH's global effective tax rate was 16.8 per cent for 2021 compared with 49.1 per cent for 2020.

The Australian non-temporary adjustment for the share of results and impairment reversal in respect of equity accounted investments are the major contributing factors to the low effective tax rate outcome for global operations in 2021.

The comparatives are outlined in the table below.

Effective Tax Rates	2021 %	2020 %
Australian operations	16.8	32.5
Global operations	16.8	49.1

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 97. 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 97 of the SGH 2021 Annual Report.

The FY21 non-temporary difference of (\$102.0) million was due to the share of profits and impairment reversal of equity accounted investees, 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 21 Temporary differences of \$9.7 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 2021.

Tax paid or payable reconciliation	2021 \$m	2020 \$m
Accounting profit before income tax	762.7	231.1
Income tax expense at the statutory rate of 30%	(228.8)	(69.3)
Non-temporary differences	102.0	(48.5)
Prior year adjustments	(1.3)	4.2
Tax Expense	(128.1)	(113.6)
Temporary differences: deferred tax	9.7	28.3
Current year tax paid or payable	(118.4)	(85.3)

AUSTRALIAN TAX CONTRIBUTION SUMMARY

Australian taxes borne

The adjacent table details the Australian federal, state and local government taxes contributed by SGH in the 2020 and 2021 years. Australian taxes represent a significant proportion of SGH's total tax payments each year.

Australian taxes borne by SGH	2021 \$m	2020 \$m
Corporate Income Tax payable ¹	109.5	87.0
Other Taxes¹		
Payroll tax	40.3	39.9
Fringe Benefits Tax	1.9	3.0
Other (including Local government charges)	8.1	2.2
Total taxes paid/ payable	159.8	132.1

Australian taxes collected by SGH

In FY 21 the Group collected and paid \$315.4 million in PAYG employee withholding taxes and net 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	2021 \$m	2020 \$m
Employee Withholding taxes	188.9	190.2
Net GST	126.5	130.0
Total taxes collected	315.4	320.2

Australian taxes distributed by SGH

In addition to taxes paid SGH paid out the following fully franked dividends during FY21.

Australian taxes distributed by SGH	2021 \$m	2020 \$m
Fully franked dividends paid	149.3	142.5

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 \$118.4 million referred to on page 7 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.

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