ASX Listing Rule 4.3A

APPENDIX 4E

Full year ended 31 December 2017

HT&E Limited

A.B.N. 95 008 637 643

RESULTS FOR ANNOUNCEMENT TO MARKET

As reported

	2017 $'m	2016 $'m	Change %
Revenue from continuing operations(i)	**472.3**	298.6	58%
Revenue from discontinued operations(ii)	**-**	359.1	(100%)
Revenue from ordinary activities	**472.3**	657.7	(28%)
Net profit/(loss) attributable to members of the parent entity	**(117.5)**	(6.0)	(1852)%

(i) Revenue from continuing operations in 2017 includes revenue from Adshel following acquisition of the remaining 50% on 25 October 2016.

(ii) Revenue from discontinued operations in 2016 includes revenues from NZME prior to demerger on 29 June 2016 and ARM prior to sale completion on 28 December 2016.

Refer to separate market announcement and presentation for further details and commentary on the results for the year.

Dividends	Amount per share	Franked amount per share
Interim dividend per share (paid 29 September 2017)	3.0 cents	3.0 cents
Final dividend per share	4.0 cents	4.0 cents

Record date for determining entitlements to the final dividend	29 March 2018
Date dividend payable	26 April 2018

There is no foreign conduit income attributed to the final dividend for the year ended 31 December 2017.

Net tangible assets per share	2017 $	2016 $
Net tangible assets per ordinary share	(0.49)	(0.62)
Net asset backing per ordinary share	1.90	2.36

Additional Appendix 4E disclosure requirements can be found in the attached Annual Report.

This report is based on the consolidated financial statements and notes which have been audited by PricewaterhouseCoopers.

Further information regarding the company and its business activities can be obtained by visiting the company's website at htande.com.au.

2017 Annual Report

HT&E

HT&E LIMITED
ABN 95 008 637 643

In May 2017, APN News & Media Limited changed its name to HT&E Limited (HT&E), marking the Company's final shift away from traditional publishing and reflecting HT&E's repositioned portfolio of leading, high-quality metropolitan media assets across radio, outdoor and digital.

Uniquely placed, HT&E continues to operate in growth segments of the media landscape and brings together a combination of 'away from home' assets – Australian Radio Network (ARN), Adshel, Conversant Media, Gfinity Esports Australia (Gfinity Australia) and Emotive.

These powerful channels can work together to more effectively target, engage with, and drive behaviours of our consumer audiences while they're on the move.

HT&E's media and entertainment offering provides unprecedented scale, content creation, and insight-led innovation, to deliver a better proposition for audiences and advertisers.

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HT&E owns Australia's #1 national metropolitan radio network and the #1 street furniture business in Australia and New Zealand.

Results snapshot

#1

National Radio Network

0.97x

Net debt to EBITDA is down from 1.2 times in 2016 to 0.97 times in 2017

7cps

Dividends paid during 2017

A further 4 cents per share has been declared and will be paid in April 2018

In 2017, HT&E continued to focus on its core assets, supported by its expanding digital portfolio and data capabilities, and a fresh trade proposition to deliver integrated solutions for advertisers.

ARN improved its performance in the second half of the year, regaining the number one network position, growing market share and improving its digital broadcast and commercialisation capabilities.

Adshel continues to lead the way in street furniture digitisation and innovation, renewing existing contracts and securing the new Metro Trains Melbourne contract for seven years, while also enhancing its data and smart cities leadership position.

The integration of Conversant Media and ARN is progressing well, leveraging digital opportunities and incremental revenue across the Group.

HT&E also announced its entry into the global growth sector of esports with the launch of Gfinity Australia, enabling HT&E to further expand its digital audience base and diversify revenues.

Chairman's Report

It was a new beginning for HT&E in 2017, as for the first time we operated our core radio and outdoor assets as 100 per cent owned businesses.

I cannot emphasise how important it is to be operating in strong and growing sectors, at a time when there is significant disruption to the media industry, where social media and search companies are dominating advertising spend and where new challenges are presented every day. There is no doubt that radio and outdoor assets provide significant opportunities as they continue to grow audiences and remain attractive to advertisers.

The transformation of the Company was signalled by our name change in May, to HT&E. For the first time, a media company in Australia brought together the 'away from home' channels of radio, outdoor and digital – enabling advertisers to better engage, influence and drive audience behaviour as we connect and interact with them, wherever they are.

Focus

Our overarching strategic focus is unchanged, and is centred on our four objectives – to grow our audience base, diversify revenues, expand digital and data capabilities, and optimise integration – all while delivering acceptable, long-term returns to shareholders.

In 2017, despite some strong progress in many areas, the financial performance of our businesses was not as strong as we would have liked, and I can assure you that the Board is committed to delivering improved results and superior returns for shareholders. We have set the focus for the Company for 2018 and beyond, and have a highly experienced management team.

Operating in growth sectors

2017 was a big year for the media industry with historic changes to Australia's media laws passed by Federal Parliament in September, delivering the largest reforms in nearly three decades. We welcome the reforms, in particular the removal of broadcasting licence fees.

The media segments we are in give us great confidence. Radio has demonstrated long-term growth in both listenership and revenue and we are confident that will continue. The sector is successfully developing new infrastructure and technologies to further its business model into the future, and the industry continues to work closely together for the benefit of its listeners and advertisers.

There is no doubt that out-of-home, and street furniture in particular, is the segment to be excited about, because of its significant growth potential. As digitisation increases and data capabilities improve, advertisers will benefit from more flexibility and innovation.

> *HT&E is in attractive sectors which we selected for their growth potential. We have a strong balance sheet and the experience and ability in the management team to execute our strategy.*

The out-of-home market does have a number of significant contracts that are extremely attractive because of their scale and longevity. While we are keen to grow, we expect our management to be disciplined when it comes to submitting tenders for these major contracts, which must always be assessed on a commercial basis. We assess every contract we compete for and evaluate any alternative uses for capital, the business key performance indicators (KPIs), and standards that we want to meet. We are mindful that winning uncommercial contracts does not deliver value for shareholders.

Australian Taxation Office dispute

HT&E continues to be involved in discussions with the Australian Taxation Office pertaining to the New Zealand Branch matter, as previously disclosed. Amended assessments were received in late January 2018. The Company intends to fully pursue this matter, and we remain confident in our position. Final resolution of this matter could take several years.

Payment of dividend

Dividends were reinstated in 2017, with seven cents per share paid during the year. Our dividend policy has a payout ratio of 40-60 per cent of underlying NPATA when leverage is less than 2.0 times EBITDA and, accordingly, in February 2018 the Board declared a fully franked final dividend of 4 cents per share.

Our balance sheet position is strong, with net debt less than 1 times EBITDA at 31 December 2017.

The year ahead

The Board believes HT&E is well positioned with its current businesses. 2018 is all about delivery and operational focus, driving EBITDA, with good capital management, which will in turn yield better shareholder value.

HT&E is in attractive sectors which we selected for their growth potential. We have a strong balance sheet and the experience and ability in the management team to execute our strategy.

We will consider opportunities, and "bolt ons", to our radio, outdoor and digital offering, providing they align with our four objectives and deliver acceptable returns.

On behalf of the Board, I would like to thank our shareholders for their ongoing support and all HT&E employees for their commitment and work for the Company.

Peter Cosgrove
Chairman

Chief Executive Officer's Report

HT&E is uniquely placed in the media market with an expanding portfolio of leading, high-quality metropolitan assets across radio, outdoor and digital. Each of our business units operates in sectors of the market that continue to grow and each is focused on the optimisation of its performance.

Our powerful assets work together to connect with audiences on the move, and better influence consumer behaviour with greater targeting capabilities.

Our businesses

Australian Radio Network (ARN)

Regaining and retaining the number one metropolitan network position was a key priority for our radio business in 2017. The actions successfully implemented resulted in the KIIS and Pure Gold brands taking out the number one position from August, ending the year as the leading network in the country with the highest network ratings in the history of ARN. Momentum has returned.

Although revenues for the year were down $1.4 million (0.6 per cent), the second half revenue performance reflected the improved ratings, and delivered market share gains due to revenue growth of 5.1 per cent, compared to market growth of 1.7 per cent.

Costs for the year were up $0.9 million, assisted by the licence fee cuts. Overall, EBITDA was down by $2.3 million, with the EBITDA margin contracting slightly to 38 per cent. The EBITDA decline of $6.7 million in the first half was offset by strong second half growth of $4.4 million.

The business is determined to extend its ratings lead in 2018, launching new breakfast shows on KIIS 101.1 and GOLD104.3 in Melbourne, a new breakfast show for 96FM in Perth, and a new national Drive show across the KIIS network, bringing fresh energy and commercial opportunities to the network. They will join our established on-air stars across the network to drive further ratings and deliver better value for clients.

While ARN remains focused on strengthening its core broadcasting brands, significant progress has been made future-proofing the business by creating the future of audio entertainment in Australia. With an unrivalled multiplatform strategy, ARN has a broadcasting, digital and social model that is growing existing and new audiences, commercialising this multiplatform content and developing new revenue opportunities and integrated solutions for advertisers.

Adshel

Adshel had a strong financial year in 2017 in both Australia and New Zealand, with overall revenue up 7.5 per cent and EBITDA up 11.3 per cent.

New Zealand performed particularly well, with revenue up 24.8 per cent and EBITDA up 24.1 per cent, while in Australia, the loss of the Yarra Trams contract, announced in October, began to impact performance in quarter four. Despite this setback, revenue and EBITDA growth for the year was 4.9 per cent and 7.6 per cent respectively.

The business is actively pursuing new contracts as it continues to demonstrate its leading street furniture model by delivering exceptional revenue performance with world-class innovation and customer service initiatives. We were particularly pleased to secure the Metro Trains Melbourne contract for seven years, strengthening Adshel's coverage across the rail commuting audience in Melbourne.

Adshel's digital roll-out continued, albeit impacted in Australia by the Yarra Trams contract process and outcome. In New Zealand, expansion continued with the network growing to more than 200 screens. Plans are in place to redeploy screens impacted by the Yarra Trams contract outcome across the Adshel network in the first half of 2018.

Adshel further improved its data and programmatic capabilities to automate its sales processes and expand its geo-targeting capabilities.

Adshel remains the number one street furniture network in Australia and New Zealand, with a superior digital model that allows for better audience intelligence and campaign performance. As the outdoor sector continues to grow at a steady rate, Adshel will continually assess new opportunities in the market.

Digital investments

In 2017, HT&E expanded its portfolio of digital investments to support its core offering. We established HT&E Events and Gfinity Australia in August, focusing on the phenomenally strong growth area of esports and bringing a unique competitive framework to the Australian market. Partnering with global experts in the industry, our esports division provides further opportunities for HT&E to expand its digital audience base and grow commercial opportunities by reaching a valuable, younger demographic.

Conversant Media revenue in 2017 was flat year on year, although this was a sound result in the context of a challenging digital display market. 2017 was a record year for audience metrics, with all brands experiencing growth and seven consecutive months of record traffic month on month for Australian unique visitors across Conversant Media sites. Sports opinion website, The Roar, had an exceptional year including the launch of Club Roar, which has had over 28 million video views to date.

The integration of Conversant Media and ARN's digital sales teams was successfully completed in 2017. As well as additional revenue opportunities, it improves ARN's digital offering, presenting content and audience growth opportunities.

HT&E's other digital investments continue to perform well. Emotive had a successful year, with earnings up 24 per cent in 2017, positioning itself as one of the leading and award-winning social video content agencies in the country.

The Company has also invested a modest amount in Unbound, an early stage media content and technology business, focused on virtual and augmented reality.

Hong Kong outdoor (Cody)

Cody made some progress in returning to profitability in 2017, despite continuing challenging market conditions. We secured the Hong Kong Tramways five-year shelter contract from May, the onerous Buzplay contract expired in mid-2017 and other unprofitable contracts were exited. As a result, Cody has commenced 2018 on a stronger footing, and the first quarter has started well, from a revenue perspective. We will maintain a rigorous focus on management and costs to continue improving performance in 2018.

In August 2017, HT&E commenced a strategic review of the Cody business. After a detailed review, the Board has determined that HT&E will continue to operate the Cody business and focus on returning it to profitability for the benefit of shareholders.

2017 Financial results

2017 statutory revenue from continuing operations was up 58 per cent to $472.3 million, with EBITDA from continuing operations up 30 per cent to $118.4 million. HT&E's statutory results were materially impacted by the full year ownership of Adshel.

On a pro-forma basis, revenue from continuing operations in 2017 would have been up 3 per cent, from $459.2 million. EBITDA from continuing operations and before exceptional items would have been up 1 per cent from $117.8 million on a pro-forma basis in 2016.

While these results were below our expectations, the restructuring program implemented since the end of 2015 is now complete, and actions taken to deliver stronger operational performance in 2017 will continue in 2018.

Marketing in motion

In 2017, HT&E undertook industry-leading research to prove our 'Marketing in Motion' proposition, demonstrating how radio, outdoor and digital work effectively together and provide better return on investment for advertisers. Clients can now leverage our unique portfolio of media assets to develop integrated solutions, with content replicated and aligned across our divisions.

2018 Focus

In 2018, our focus is on delivering value for shareholders by driving and delivering operational performance.

For radio, that means maintaining our number one position, improving market share and profitability, and digital growth. Adshel is focused on driving continued growth and expanding its digital network, pursuing new and existing contract opportunities, and deploying new technology and geo-targeting capabilities.

For HT&E Events, our ambition is to establish and commercialise Gfinity Australia and the Elite Series tournament as the premier esports broadcast league in the country.

Thank you

I would like to sincerely thank our staff at HT&E for their contribution to the Group as they continue to demonstrate commitment to the business, with skill and passion. Their flexibility, innovation and loyalty are integral to what has been achieved and I commend them for supporting the changes we made in 2017 and embracing the opportunities that now present themselves.

I would like to thank our shareholders for their ongoing support. I look forward to working with you as we focus on driving operational performance and delivering value to shareholders in 2018.

Ciaran Davis
Chief Executive Officer (CEO)
& Managing Director

Operating & Financial Review

This Operating and Financial Review should be read in conjunction with the Chairman's Report and the Chief Executive Officer's Report.

Performance overview

HT&E Limited (HT&E) results for 2017 were impacted by the acquisitions of Adshel and Conversant Media in October 2016. Statutory results for 2017 versus 2016 benefit from 12 months of full consolidation of both businesses, compared with just over two months in 2016 (and in Adshel's case, 10 months as an associate). To enable comparability, this overview discusses both statutory and pro-forma results against performance for 2016.

On a statutory basis, segment revenue from continuing operations was up 58 per cent to $472.3 million from $298.6 million. $160.6 million is directly attributable to the acquisitions, with the balance predominantly due to growth across Adshel, offset by declines at ARN, particularly in the first half. Segment costs were up 62 per cent to $362.5 million from $224.1 million; $126.3 million was acquisition related, and the balance was driven by investment in staff, talent and platforms across the business, offset by savings – including $4.4 million of benefits due to the 2017 licence fee removal – at radio. Segment earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations and before exceptional items was up 30 per cent from the corresponding period to $118.4 million.

Depreciation increased from $7.4 million to $23.2 million in 2017; $11 million of this increase was "acquired" with the balance of the uplift due to the recent capital expenditure program, particularly in Adshel. As a result, segment earnings before interest, tax and amortisation (EBITA) from continuing operations and before exceptional items was up nearly 15 per cent from the corresponding period to $96 million. Net interest expense declined on lower debt levels, while tax expense increased in line with the earnings uplift.

Net Profit After Tax attributable to shareholders from continuing operations and before Amortisation and exceptional items (NPATA) was up 28 per cent to $54.1 million, compared to $42.4 million in 2016. Amortisation increased from $1.1 million to $16 million, related to the amortisation of Adshel's identifiable intangible assets which commenced during 2017 following the 2016 acquisition and the $222 million accounting value uplift recorded in the 2016 results. The loss of the Yarra Trams contract announced in October, and specifically the assumptions regarding the potential network impact, have resulted in an impairment of Adshel goodwill and intangibles of $163 million in the 2017 accounts. Statutory Net Profit After Tax (NPAT) attributable to shareholders for the year was therefore a loss of $117.5 million, compared to a loss of $6 million in 2016.

If HT&E had owned 100 per cent of Adshel and Conversant Media for the full year in 2016, revenue from continuing operations in 2017 would have been up 3 per cent, from $459.2 million. EBITDA from continuing operations and before exceptional items would have been up 1 per cent from $117.8 million on a pro-forma basis in 2016.

Following significant restructuring in 2016, our focus in 2017 was on our core assets of radio and outdoor, integrating the acquisitions and achieving operational improvements in Australian Radio Network over the second half 2016 result.

After challenging ratings and revenue in the first half, ARN regained its number one national network rating in survey 5 and held it for the rest of the year. The survey 8 result means ARN was the number one national network for the year. Revenue performance started to reflect improved ratings from August, and for the second half revenue growth was 5.1 per cent, compared to market growth of 1.7 per cent. Over the full year, ARN revenue was down less than 1 per cent, with growth in the second half offsetting a 6 per cent decline in the first half. Second half costs in ARN were up 2 per cent and have been assisted by the licence fee cuts finalised in October. This resulted in full year costs up less than 1 per cent. As a result, EBITDA was down by $2.3 million for the year.

Adshel led the market in the first half of 2017, and was on track to beat market expectations until it lost the Yarra Trams tender, announced in October. Significant progress has been made since then to replace inventory in central Melbourne, and redeploy the Yarra Trams digital screens across Australia and New Zealand. Despite this setback, revenue and EBITDA growth was achieved in 2017. Adshel New Zealand delivered stellar results, with revenue up 24.8 per cent and EBITDA up 24.1 per cent. In Australia, full year revenue was up 4.9 per cent and EBITDA was up 7.6 per cent.

The table on page 7 reconciles the Group's segment result before exceptional items to the statutory result. Exceptional items in 2017 included a mix of one-off gains and non-recurring costs arising during the year, including the one-off $5.4 million benefit from the radio licence fee holiday relating to ARN's 2016 results, offset by the Adshel impairment change and

Financial performance	Segment result		Exceptional items[3]		Statutory result	
AUD million[4]	2017	2016	2017	2016	2017	2016
Revenue	472.3	298.6	–	–	472.3	298.6
Other income	7.4	7.2	–	223.5	7.4	230.7
Share of profits of associates	1.3	9.3	–	–	1.3	9.3
Costs	(362.5)	(224.1)	(158.8)	(5.9)	(521.4)	(230.0)
EBITDA[1]	**118.4**	**90.9**	**(158.8)**	**217.6**	**(40.4)**	**308.6**
Depreciation	(22.4)	(7.4)	(0.8)	–	(23.2)	(7.4)
EBITA[2]	**96.0**	**83.5**	**(159.7)**	**217.6**	**(63.7)**	**301.1**
Net interest expense	(9.0)	(17.7)	–	(0.4)	(9.0)	(18.0)
Net profit before tax and amortisation	**87.0**	**65.9**	**(159.7)**	**217.2**	**(72.6)**	**283.1**
Tax expense	(26.7)	(16.9)	(0.4)	(13.7)	(27.1)	(30.6)
Net profit after tax and before amortisation	**60.3**	**48.9**	**(160.0)**	**203.5**	**(99.7)**	**252.5**
Profit attributable to non-controlling interests	(6.2)	(6.6)	(0.3)	–	(6.6)	(6.6)
NPATA attributable to HT&E shareholders	**54.1**	**42.4**	**(160.4)**	**203.5**	**(106.3)**	**245.9**
Amortisation (net of tax)	(11.2)	(0.8)	–	–	(11.2)	(0.8)
NPAT attributable to HT&E shareholders from continuing operations	**42.9**	**41.6**	**(160.4)**	**203.5**	**(117.5)**	**245.1**
Profit/(loss) from discontinued operations	–	21.1	–	(272.2)	–	(251.1)
NPAT attributable to HT&E shareholders	**42.9**	**62.7**	**(160.4)**	**(68.7)**	**(117.5)**	**(6.0)**

(1) Earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations and before exceptional items, represents the Group's total segment result.

(2) Earnings before interest, tax and amortisation (EBITA) from continuing operations and before exceptional items.

(3) Refer to note 1.3 to the consolidated financial statements for further details in relation to exceptional items.

(4) Totals may not add due to rounding.

some restructuring charges incurred by ARN to address its first half challenges. Further details are included in note 1.3 to the consolidated financial statements.

Balance sheet and cash flow

The Group had net assets at 31 December 2017 of $622.7 million. The parent entity's interest in the net assets decreased by $124 million during the year.

In 2016, Accounting Standards required HT&E to uplift the value of Adshel in the balance sheet by $222 million. During 2017, HT&E finalised the Adshel acquisition accounting, recording $382.5 million in goodwill, $134.0 million in identifiable intangible assets and an associated deferred tax liability of $51 million. The loss of the Yarra Trams contract announced in October, and specifically the assumptions regarding the potential network impact, have resulted in an impairment of Adshel goodwill and intangibles of $163 million in the 2017 accounts.

As announced to the Australian Securities Exchange on 23 January 2018, HT&E received amended assessments from the Australian Taxation Office (ATO) pertaining to the matter disclosed in the 2016 Annual Report. The Company has not accrued any amount in relation to the dispute in the 2017 balance sheet. HT&E remains satisfied that its treatment of this matter is consistent with relevant taxation legislation. HT&E intends to lodge an objection with the ATO and if necessary contest the amended assessments through litigation proceedings. $51 million will be deposited with the ATO while these dispute processes are being completed. Final resolution of this matter could take several years.

HT&E's net debt at the end of 2017 was $114.8 million, down from $142.7 million in 2016. The balance sheet is very strong, with net debt leverage of 0.97 times and interest cover of 15 times. The Group retains more than $220 million in undrawn facilities, sufficient to cover any outcome on the dispute with the ATO. Including the ATO deposit, leverage at 31 December 2017 would have been 1.4 times.

Operating cash flow was $75 million in 2017, up 109 per cent on the statutory 2016 result. While the Company benefited from a full year of Adshel cash flow, $15 million of non-recurring cash outflows contained the overall result. Dividends were also reinstated in 2017, with $18 million paid to shareholders. $16 million was spent on capital expenditure in 2017, compared to $15 million in 2016. While lower than expected due to the timing of contract renewals, capital expenditure was predominantly in Adshel where network asset deployment and digitisation continued. HT&E's plans suggest that, subject to the timing of contract renewals, capital expenditure of approximately $30 to 40 million may be incurred in 2018.

A final dividend of 4 cents per share was declared for 2017 and is payable in April 2018.

Operating & Financial Review

Australian Radio Network

ARN is the #1 national radio network in Australia, with the country's leading on-air talent and a re-energised content strategy in 2018.

Performance improving in the second half of 2017

After challenging ratings in the first half of 2017, Australian Radio Network's revenue performance began to reflect improved ratings from August, with second half revenue growth of 5.1 per cent, versus market growth of 1.7 per cent. Second half costs were up 1.8 per cent, assisted by the removal of broadcasting licence fees, driven by increased variable cost of sales on increased revenue and investment in staff and talent. ARN full year revenues were down 0.6 per cent year on year, with growth in the second half offsetting a 6.1 per cent decline in the first half. Full year costs were up 0.7 per cent. As a result, EBITDA was down by $2.3 million for the year. The EBITDA margin was 38 per cent.

The Australian radio market continues to show resilience, up 0.1 per cent in 2017. The sector has demonstrated long-term growth in both listenership and revenue, and live Australian radio remains the dominant audio platform, accounting for 65.3 per cent of time spent listening to audio, up from 64.9 per cent in 2016[1].

AUD million[2]	2017	2016
Revenue	218.7	220.1
Costs	(135.6)	(134.7)
Segment EBITDA	83.1	85.4
Depreciation	(4.1)	(3.8)
EBITA	79.0	81.7

1. 2017 GfK Share of Audio study, Commercial Radio Australia.
2. Results before intercompany eliminations. Refer to note 1.3 to the consolidated financial statements for further details. Totals may not add due to rounding.

Strong ratings to propel ARN into 2018

Under the leadership of CEO Rob Atkinson, appointed in April 2017, actions were taken to address the challenging period of ratings and revenue ARN experienced from mid-2016 to mid-2017. A new Chief Commercial Officer was also appointed earlier in the 2017 year.

Ratings improved in the second half of 2017, and ARN regained the number one national 10+ network position in surveys 5 to 8. ARN ended the year as the leading national radio network in Australia, with strong survey 8 results across all markets to cap off ARN's best ratings year yet.

In Sydney, ARN held the number one and number two FM stations, as well as the number one and number two FM breakfast shows. KIIS 1065's Kyle & Jackie O and WSFM's Jonesy & Amanda achieved outstanding results, with a 12.1 per cent and 10 per cent share respectively.

In Melbourne, ARN rounded out a strong year with GOLD104.3 retaining its position as number one FM station, while KIIS 101.1 was the number five FM station. ARN is focused on delivering audience growth in the Melbourne market in 2018.

After launching a new 97.3FM breakfast show in Brisbane in early 2017, the station ended the year as number four FM breakfast and number three station overall. 4KQ retained its position as number one AM station overall, and number one AM commercial breakfast.

Mix102.3 maintained its lead in Adelaide, finishing the year as the number one station overall with an increased share of 12.3 per cent, and the number one FM breakfast show.

In Perth, the refocused music positioning yielded strong audience growth for 96FM, finishing the year with a 10.2 per cent share, providing a solid platform for 2018.

Australia's leading on-air talent

In 2017, ARN re-signed WSFM's Jonesy & Amanda, securing the reputable and talented breakfast duo until the end of 2020.

ARN has Australia's leading on-air personalities, with key talent locked in for at least the next three years across the KIIS and Pure Gold networks. Strategic content changes announced since November, backed by a significant investment in targeted marketing, will solidify ARN's leadership position and enable market share and ratings growth in 2018.

In Melbourne, ARN has launched a new breakfast show on KIIS 101.1. Jase & PJ have an established on-air history and bring a fresh, youthful energy to the station, with stronger commercial appeal. ARN has also launched a new national Drive show, Will & Woody, across the KIIS network, driving greater appeal for national advertisers. Both teams are commercially focused with established chemistry, and understand radio audiences and how audio content translates to digital and social environments, which is a key focus for ARN in 2018.

ARN also made changes to GOLD104.3 in Melbourne, securing one of the strongest radio talents in the world, with Christian O'Connell, London's leading breakfast show host, joining the line-up.

In Perth, having made format changes in early 2017, ARN launched a new breakfast show with Paul & Lise – well-recognised talent in the market who will contribute even further to the station's improving performance.

The future of audio entertainment

Beyond its FM broadcast offering, ARN continues to make targeted investments to grow digital audiences and drive new revenue opportunities as a multiplatform business, with a renewed vision to create the future of audio entertainment.

iHeartRadio, the music streaming and digital entertainment brand, is a key component in ARN's digital future and a driver of audio content. Relaunched in January 2017, the iHeartRadio app has now surpassed 1.52 million downloads and over one million registered users, and generates over three million hours of listening per month.

In addition to the custom radio and artist radio offering, with 10 new stations added in 2017, new capabilities introduced in 2017 are changing the dynamics of iHeartRadio, broadening ARN's audience and revenue streams. ARN was the first Australian radio broadcaster to offer AdsWizz dynamic ad insertion. Partnerships with Whooshkaa, Spreaker and others have created the biggest library of podcasts in the country, with over 1.4 million episodes that will be able to be commercialised. The iHeartRadio app is also being integrated into voice-activated products to accelerate the platform's availability across a range of devices, including Apple CarPlay, Android Auto and Google Home. iHeartRadio's integration into these new, voice-activated, consumer audio products, and the local exit of Pandora, drove an increase in the usage of iHeartRadio in the second half of the year.

The integration of Conversant Media with ARN's digital sales team in 2017 enabled the business to pursue additional revenue opportunities, while strengthening the Group's overall digital presence and increasing exposure to the high growth areas of video and mobile.

Energising brands in 2018

In 2018, ARN is repositioning its sales efforts with a new trade proposition around 'Energising Brands'. The new position encompasses a comprehensive commercial strategy based on ideas and insights, backed by increased investment in research and data to support ARN's ambition to be the partner of choice for solutions across audio and digital. This all-of-business proposition has a focus on both content and commercial, driving a re-energised and even more competitive ARN in 2018.

ARN continues to make targeted investments to grow digital audiences and drive new revenue opportunities as a multiplatform business, with a renewed vision to create the future of audio entertainment.

In 2017, ARN re-signed WSFM's Jonesy & Amanda.

Operating & Financial Review

Adshel

Adshel is the #1 street furniture network in Australia and New Zealand, with a superior digital model that allows for better audience intelligence and campaign performance, delivering targeted, high-frequency campaigns at scale.

Leading street furniture and rail networks

With premium assets across street furniture, rail and petro-convenience, Adshel is embedded in a crucial part of consumers' lives – the daily commute. As the leading street level, small format network, it offers scale and a level of engagement not replicated in any other out-of-home media. Its street furniture and commuter media formats are uniquely at the intersection of technology developments in data, mobile and smart cities, enabling advertisers to more effectively and efficiently target consumers than has previously been the case in out-of-home.

Adshel boasts the largest roadside network in Australia and New Zealand. The Adshel Live network continues as the only national digital street furniture network in each of Australia and New Zealand and attracts advertisers with its flexibility, immediacy, interactive nature and geo-targeting capabilities, offering broadcast scale with narrowcast targeting.

In 2017, Adshel's innovation was recognised by the industry, winning awards including the Outdoor Media Association's Creative Collection Grand Prix and Best Digitally Led Marketing Campaign at the AMY Awards. Adshel NZ was awarded the prestigious CAANZ Beacon NZ Media Business of the Year.

Investment in digital driving revenues

The Adshel Live roll-out continued during 2017, albeit impacted in Australia by the Yarra Trams contract process and outcome. In New Zealand, expansion continued with the network growing to more than 200 screens, including entry into Hamilton.

While data from the Outdoor Media Association showed the Roadside-Other market segment in Australia was up 3 per cent on 2016, Adshel was ahead with full year revenue growth of 4.2 per cent. In New Zealand, Adshel revenues grew 24 per cent, against the market growth of 18 per cent.

The outdoor sector remains strong, and advertiser appetite is expected to continue to grow, particularly in the street furniture segment, driven by increased digitisation.

Digital revenues account for over 30 per cent of Adshel's media revenue. The network will expand in the first half of 2018 to over 300 screens in New Zealand, while street furniture deployment and the Metro Trains Melbourne project will see Adshel grow to more than 750 screens in Australia. Ongoing investments in digitisation, data and technology are all key drivers of future growth.

At the same time, Classic (static) products remain resilient, making Adshel an outlier in the industry in this regard, with like for like inventory-adjusted sales growth of 1.8 per cent in 2017, supported by continued investment in research and marketing.

Second half outcomes affected momentum into 2018

Adshel had a very strong performance across Australia and New Zealand in the first half of 2017, with significant revenue and earnings growth. The impact of the Yarra Trams contract outcome, announced in October, affected momentum in quarter four. Despite this setback, total revenue for 2017 across both markets was up more than 7.5 per cent to $221.3 million. EBITDA grew 11.3 per cent to $51.5 million, with digital revenues contributing to margin improvement, largely driven by the performance in the first half.

Digital investment metrics remained strong across both markets with capital investments yielding a less than two-year pay-back, despite some yield pressure on digital advertising revenue, in line with recent industry trends. Total costs grew 6.4 per cent to $169.8 million with much of this increase coming from revenue-related selling costs, predominantly site rent, agency commissions and cost of goods on increased bus shelter sales.

Adshel maintains its focus on geo-location enabled street furniture and rail.

AUD million[1]	2017	2016
Revenue	221.3	205.8
Costs	(169.8)	(159.6)
EBITDA	51.5	46.2
Depreciation	(17.6)	(14.3)
EBITA	33.9	31.9

Key contracts to set the business up for commercial success

Adshel remains the clear leader in street furniture in Australia. In re-establishing the Adshel Live network in Melbourne across other contracts, Adshel continues to demonstrate the strength of its national network and clarity of approach. It continued to retain and win strategic mid-tier and other key contracts in 2017, including the Metro Trains Melbourne (MTM) contract which was secured for seven years.

From 1 April 2018, Adshel will add MTM's 15 rail lines and 218 stations in Melbourne to its existing rail offering across Sydney Trains, creating a single network to connect advertisers with commuters in both of Australia's largest cities, reaching over two million commuters each day. The partnership will see Adshel deploy a new estate of over 150 digital screens at key Melbourne CBD and inner-city railway stations, bringing a host of new scalable digital features to market and extending Adshel's leadership in commuter media.

Adshel will continue to enhance its smart cities capabilities, having leapt forward in this space in 2017, including securing the exclusive partnership with US-based CIVIQ Smartscapes, which will allow Adshel to offer value and a clear point of difference with world-class solutions for cities and transport authorities.

Adshel and ARN partnership opportunities

In 2017, Adshel worked closely with ARN and Conversant Media to pursue Group campaign and partnership opportunities, allowing advertisers to run cross-platform campaigns across Adshel and ARN simultaneously. With sight and sound working together, campaigns were amplified across channels.

Focus on data and innovation in 2018

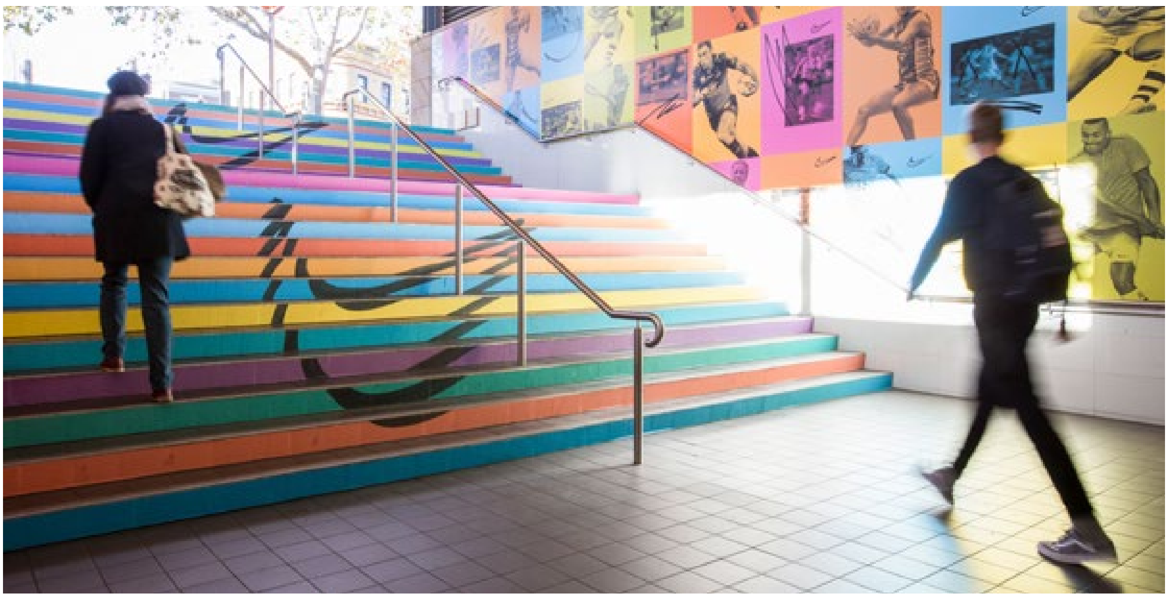
Adshel maintains a strong focus on geo-location data to leverage mobile and deliver rich insights for more effective campaigns across its superior Classic, Live and Rail networks.

In May, the business announced an exclusive Data Management Platform partnership with global ad tech giant Lotame, to bolster its geo-targeting capabilities and aggregated audience insights. A new partnership with Roy Morgan has also allowed advertisers to more precisely target locations where commuters work and shop. In 2018, Adshel will continue to invest in data, moving towards selling advertising based on these valuable audience profiles, rather than reach and frequency alone.

In 2017, the business also moved to automate its buy-sell workflow, with an APAC-first partnership with Rubicon Project to enable media buyers to purchase Adshel with the precision achieved with online advertising.

Setting the focus for Adshel, with data, automation in sales and creative innovation at the core, is repositioning the business for further growth. Adshel will strengthen its position in 2018 by continuing its Adshel Live expansion, pursuing new and existing contracts, investing in greater data capabilities and enhancing its smart cities proposition.

Adshel is embedded in a critical part of consumers' lives – the daily commute.



1. Results before intercompany eliminations. Refer to note 1.3 to the consolidated financial statements for further details. Totals may not add due to rounding.

Operating & Financial Review

Digital Investments

In 2017, HT&E continued to build its portfolio of digital investments that support its core radio and outdoor offering and align with its strategy to diversify revenues and grow its audience base.

There were several key developments across HT&E's digital investments in 2017.

HT&E Events

In August, HT&E announced the establishment of a new division and brand, HT&E Events. It is a joint venture with IKON Media & Entertainment – a global media, entertainment and sports agency, with specialist expertise in establishing city-based franchise leagues.

HT&E Events enhances the complementary nature of the Company's existing radio, outdoor and digital businesses by providing unique content that is targeted to HT&E audiences and is highly relevant and appealing for advertisers.

HT&E Events will manage niche events for Australian audiences, providing a new inventory of creative and engaging opportunities for brands to connect with consumers.

Gfinity Australia

In August, HT&E Events formed an Australian esports business, Gfinity Australia, in partnership with a global leader in esports, Gfinity PLC.

Esports is now reaching mass market scale, with an estimated global audience of 385 million people in 2017, and the global market projected to reach US$1.5 billion by 2020.[1]

In 2018, Gfinity Australia is launching Australia's first city-based, professional esports franchise league, the Elite Series. Providing a clear and structured top-to-bottom competitive framework within Australian esports, for both amateurs and professionals, this is a unique offering in the Australian market, strongly desired by the passionate gaming community.

Gfinity Australia is already attracting commercial interest and support, with Alienware, a subsidiary of Dell, secured as the Presenting Partner for the 2018 Elite Series, while HT&E and Gfinity Australia are partnering with HOYTS Group to build the most technologically-advanced, dedicated esports arena in 2018.

Gfinity Australia strongly supports HT&E's strategic objectives to diversify revenues, grow audience and expand digital capabilities, with the potential to reach a younger audience base and drive growth for HT&E. The business is being led by newly appointed CEO Dominic Remond, formerly the General Manager of the Sydney Sixers with Cricket NSW.

Conversant Media

Conversant Media (Conversant) is HT&E's pure play digital business focused on video, mobile and native content creation.

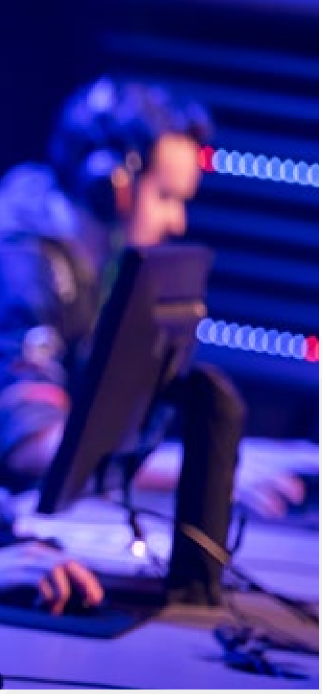
2017 was a year of strong audience growth across all key brands and metrics, with overall video views up 298 per cent, seven consecutive months of record traffic month on month for unique Australian visitors across Conversant sites, and substantial year-on-year growth in average Australian monthly users across the network of sites per month – up 51 per cent on 2016.

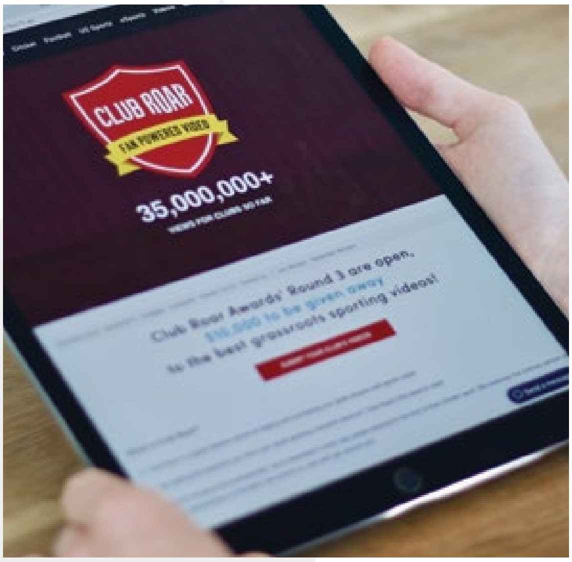
Conversant's revenue performance in 2017 was commendable in a soft market for digital display inventory. To counter this, Conversant pursued new, premium-yield video product opportunities, including the launch of Club Roar, a market-first platform for fan-powered video content. In eight months, over 5,000 videos were submitted and were viewed 28 million times. Revenue and EBITDA were $4.2 million and $0.3 million respectively, after $320,000 in Club Roar launch costs.

The Roar also launched the associated Club Roar Awards, boosting its user-generated content and enabling brands to integrate with grassroots sports.

HT&E completed the integration of Conversant and ARN's digital sales teams in 2017, leveraging the opportunity to bundle content, monetise the

1. Newzoo Free 2017 Global Esports Market Report.
2. Emotive 2017 campaign data and Locowise Q1 2017 State of Facebook video study.





Gfinity Australia is focused on the growth area of esports; Conversant Media is bringing its expertise to leverage digital opportunities across the Group.

combined digital assets and audience of over four million unique visitors, respond to briefs through a single touchpoint, and share expertise across businesses.

Emotive

Emotive performance was consistent year on year. Gross margin improved from 57 per cent to 65 per cent and earnings were up 24 per cent, while HT&E referral sales to 31 December 2017 were in excess of $2 million.

From an audience perspective, the business continued to extend its reach, with 23.8 million minutes of Emotive content consumed in 2017 and 53.5 million video views. Of these, 8.3 million minutes came from 23 million Facebook views, at an average rate of 22 seconds per view. This is 2.2 times the average for Facebook video, demonstrating how well Emotive's content is holding viewers' attention.[2]

New clients secured in 2017 included Revlon, Danone Murray Goulburn, HelloFresh, Rebel Sport, Bonds, Unilever, Western Sydney University and Champion. Emotive also established external collaborative partnerships in 2017 for pre-testing of content, thereby mitigating creative risk and providing the best result for brands.

In its third year of operation, Emotive continued to establish itself as one of the leading social video content agencies in the country, being awarded Emerging Agency of the Year at both the 2017 B&T Awards and the 2017 Mumbrella Awards, and the APAC Emerging Agency of the Year at the 2017 Mumbrella Asia Awards. Emotive's campaign for Berlei, entitled #DoItForYourself and featuring tennis star Serena Williams, was also awarded for Best Use of Multichannel Social Media in Content Marketing at the 2017 Global Content Marketing Awards.

Hong Kong Outdoor

In 2017, revenue for HT&E's Hong Kong outdoor business was down 4 per cent in local currency to $25.2 million, as challenging economic conditions continued to prevail. Costs were down 11 per cent in local currency, with the business having been restructured and resized during 2016.

The challenging Buzplay contract, which had a detrimental impact on earnings for five years, expired in June 2017. This, along with Cody's program to pursue strategic contract wins while actively exiting underperforming contracts, has improved the foundation for the business. The advertising contract for the Hong Kong Tramways network of shelters, which was secured for five years and commenced in May 2017, reinforces Cody's position as a premium asset quality outdoor business in Hong Kong.

Revenues in the first quarter of 2018 have been encouraging to date. The business will continue to focus on strict cost management and pursue opportunities to return the operations to profitability.

Corporate Social Responsibility

HT&E prioritises supporting its people, as well as the diverse communities we connect with every day.

Focusing on our people

At HT&E, our people are at the heart of all we do. As a results-driven business, we recognise that the best path to success involves supporting our employees to help us get there. That means fostering positive work environments and a healthy culture across the Group – workplaces that are safe, inclusive, respectful and rewarding, embracing the experience and potential of each team member.

As set out in the Company's Diversity Policy, available on the Company website, HT&E believes that a diverse workforce is essential for it to be able to deliver its strategic objectives and continue to meet its responsibilities to its customers, its employees, the communities in which it works, and its shareholders.

While HT&E's employees predominantly operate in a low-risk environment, with the majority working in standard office environments, the health and safety of teams are of the utmost importance. Adshel, the only operation with a significant external workforce, has recently been recertified under AS/NZ 4801:2001 for occupational health and safety systems.

HT&E encourages a healthy work-life balance, offering flexible work hours, and supporting each business across the Group to implement initiatives that improve the wellbeing of their teams and build a positive employment culture. Examples include Adshel providing discounted healthcare and a company-funded Wellness Day, Conversant Media facilitating regular team sporting activities, and ARN continuing its 'ARN Social' initiatives to provide positive networking and entertainment opportunities.

Attracting and retaining the best employees, with the right skills, are crucial to the business. To support this, several training and development programs were delivered across HT&E in 2017.

ARN's online digital performance management system, 'EmpowerME', continued to track employees' performance and achievements throughout the year, highlighting development needs and opportunities. This was supported by a new, all-staff learning and development program in 2017, Thrive, with a robust training schedule, spanning leadership fundamentals, mental health and resilience, and digital upskilling.

ARN launched a new internship program in 2017 in partnership with Australian Film Television and Radio School (AFTRS), giving top-performing students hands-on experience working alongside ARN's expert radio talent. Students were provided with highly practical radio experience, working with teams across various areas, including producing, panelling, and digital content.

At Adshel, a company-wide learning and development initiative, Connect to Grow, offered communication and sales training sessions, development resources, planning tools and online workshops. Adshel launched a bespoke leadership course, The Leadership Connection, to support retention, build capabilities and align behaviours with the company purpose. In parallel, Adshel invested in a Women in Leadership program to specifically support the development of high-potential female leaders, including one-on-one coaching and skills workshops to further their careers, while strengthening Adshel's senior female talent pipeline.

The annual *Igniting Adshel* staff roadshow brought office-based and field-based teams together from across Australia and New Zealand, to reiterate Adshel's strategy and values, promote cross-cultural understanding, and offer behavioural training to staff. Each quarter, Adshel also hosted its Most Valuable Player Awards, recognising individuals' achievements and contributions. In 2017, Adshel

We value the opportunity to use the power of HT&E's audiences and media assets to give a platform to the community and highlight issues that matter.

was shortlisted in the 'Employer of Choice (100–999 employees)' category at the 2017 Australian HR Awards and was a finalist for the 'Employer of the Year (over 100 employees)' at the 2017 B&T Awards.

Across the Group, HT&E is proud to support those at the start of their media careers, through a partnership with the NGEN program – a Media Federation of Australia initiative to build community networks and offer workshops to nurture and inspire the newest members of the media industry.

Supporting communities, here, there & everywhere

HT&E is committed to supporting the communities in which its businesses operate, giving back through partnerships, media inventory, work experience programs, and community engagement opportunities for employees.

With its unique combination of radio, outdoor and digital media assets, HT&E has the scale to provide valuable support to cause-driven organisations, and welcomes the opportunity to offer a platform to shine a light on important issues and worthwhile fundraising initiatives.

In 2017, HT&E again supported the ASX Thomson Reuters Charity Foundation, contributing to the share portfolio for its annual auction.

ARN COMMUNITY SERVICE ANNOUNCEMENTS WORTH

$3.9m

ARN'S Goodness Project

In 2017, ARN launched the Goodness Project, a partnership with UnLtd – a foundation bringing together members of the Australian media, marketing and advertising industry to tackle youth disadvantage. ARN committed to support the UnLtd-aligned charities Musicians Making a Difference (MMAD) and batyr, focusing on preventative education in youth mental health.

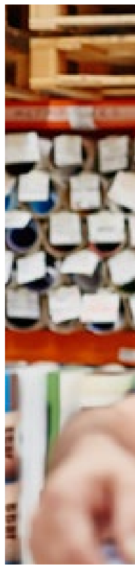
Harnessing the skills and creativity of its people, ARN executed ideas to build awareness of these charities, raising more than $60,000 for batyr, and will be supporting MMAD in 2018 with ongoing fundraising. As part of ARN's commitment, a charity day was offered to all employees, encouraging them to devote time and skills to support these or other community initiatives, providing an ongoing opportunity for employees to volunteer and raise funds for causes that matter to them.

Adshel & Brotherhood of St Laurence work experience program

As part of Adshel's Diversity, Inclusion and Flexibility Program for 2017, Adshel partnered with anti-poverty community organisation, Brotherhood of St Laurence (BSL), implementing a work experience program to help disadvantaged youth return to the workforce. Six participants joined the Adshel Melbourne operations team for workplace demonstrations and career discussions, with two participants then spending a week with Adshel to gain practical work experience.

To coincide with the program, Adshel ran a roadside advertising campaign for BSL in Victoria and the ACT. The 'Job Hunter Not Dole Bludger' campaign aimed to challenge the inaccurate and negative stereotypes of young unemployed people, supporting the organisation's advocacy efforts by shining a light on an important social issue that affects many young people in the community.

Corporate Social Responsibility



ARN delivered $3.9 million worth of community service announcements to promote Australian charities and community initiatives on-air. The Family Peace Foundation, Mission Australia, The Australian Red Cross, Ovarian Cancer Australia, National SIDS Council of Australia, UNICEF Australia, Sony Foundation Australia, Planet Ark Environmental Foundation, Kidney Health Australia, and Breast Cancer Network Australia were among those that benefited from charitable campaigns across ARN's platforms.

ARN continued its support of the Sydney Children's Hospital Foundation, with WSFM breakfast radio hosts, Jonesy & Amanda, leading the annual Gold Telethon campaign, supported on-air and across digital and social media, and backed by a significant Adshel outdoor campaign. ARN once again partnered with Red Nose Day, supporting the foundation via ARN's channels, including iHeartRadio and Little Rockers Radio, to create a dedicated Red Nose Day radio station to promote their message and fundraising initiative, further supported by ARN's on-air talent.

Adshel supported not-for-profit organisations in 2017, providing out-of-home media space for 18 campaigns across Australia and New Zealand, equating to over $1 million in media value. Charities including the McGrath Foundation, SPCA New Zealand, McHappy Day for Ronald McDonald House, and Red Nose Day were some of the beneficiaries of this media support.

As part of its ongoing partnership with Surf Life Saving New Zealand (SLSNZ), in early 2017 Adshel delivered multilingual outdoor creative, to reach specific diverse communities with SLSNZ's important safety messages. Adshel NZ also partnered with Wellington City Council and the Urban Art Foundation in a joint community initiative, The Urban Art Series, using the Adshel Live digital network to bring national art out of galleries and onto the streets of Wellington.

HT&E's digital publishing business Conversant Media delivered seven campaigns for not-for-profit organisations in 2017 across its websites, including support for Surf Life Saving Australia and Movember Foundation. Paid campaigns for the New South Wales Government's 'Pretty Shady' skin cancer awareness initiative and the Federal Government Department of Health's anti-tobacco campaign also ran across Conversant Media's assets.

Conversant brand The Roar launched the Club Roar Awards, an initiative to give back to local sporting clubs and highlight up-and-coming sporting talent, by rewarding everyday Australian sports fans with a share of $10,000 in prize money for publishing videos of their best and worst sporting moments. Two rounds of Awards ran in 2017, with Club Roar videos amassing over 28 million total views, and enabling brands to integrate with and support grassroots sports.

In addition to its organisational sponsorships, HT&E supports its employees in fundraising and volunteering for charitable causes. Adshel's Together Giving Back program grants its employees $250 to donate to their nominated charity, with more than $20,000 of donations made during the year, as well as offering an annual charity day to undertake volunteer work in their local communities. In 2017, ARN launched the Goodness Project, an initiative which similarly offers a charity day for ARN employees (refer to previous page).

ADSHEL MEDIA INVENTORY WORTH OVER

$1M

SUPPORTING 18 NOT-FOR-PROFIT ORGANISATIONS

Images from left: 97.3FM's Bianca, Terry and Bob support Red Nose Day; Adshel has pioneered some of the industry's best recycling programs.

Environmental initiatives and sustainable solutions

HT&E recognises that implementing best practice environmental initiatives is not only good for the planet, but also makes good business sense. As a media organisation, we understand our responsibility to demonstrate leadership in this space, always complying with relevant legislation and seeking to implement sustainable solutions.

Since the demerger of NZME in June 2016 and the sale of HT&E's regional newspaper business in December 2016, HT&E's asset base, range of work environments and by-products have substantially changed. As a result, HT&E's environmental impact would have lessened.

Adshel has a field operations team to maintain its national network of bus shelters. It produces over 350,000 paper posters each year and has specific energy usage requirements. Adshel's environmental management system is measured and is certified against ISO 14001:2015 for environmental management systems. While Adshel is generally not regarded to be exposed to climate-related risks that could have a material impact on its operations and performance, the business remains committed to finding environmentally-sustainable solutions in its operations.

Adshel's environmental management approach is informed by detailed policies and processes, underpinned by a firm commitment from the Executive Leadership Team, who have championed numerous national sustainability and efficiency projects. Initiatives include the ongoing installation of solar-generating solutions in suitable sites, and a proactive investment in LED lighting systems for advertising assets, with the dual benefit of reducing power draw by 80 per cent and better illumination of the product. The combination of this best-in-class solar LED technology along with new, improved battery products, means a bus shelter can be built and powered in a self-sustainable way. More than 4,000 of Adshel's bus shelters now operate with 100 per cent solar energy.

Adshel designs its street furniture for a life cycle of at least 20 years, manufacturing to strict standards. Adshel has also taken an innovative approach in the treatment of high-volume materials used in the maintenance of its national shelter network, pioneering some of the industry's best recycling programs, including a national steel and aluminium recycling program, and a national paper and poster recycling and repurposing program.

Adshel partnered with Suez Australia in 2015 to find a way to reuse shattered safety glass. Together they found a solution, repurposing the glass for use in road base construction products, reducing by-product landfill waste disposal. The success of this pilot in the last two years has led to Adshel extending the project nationally, with a target of zero glass waste disposal.

Adshel continues to use purified, chemical-free water for shelter cleaning, with a low-voltage and low-pressure system to reduce water consumption and runoff. The cleaning process using this equipment is also five minutes quicker per shelter, leading to a significant saving in people power.

The business continues to invest in and explore new ways to minimise energy consumption and to reuse and recycle all by-products to help protect the environment.

Senior Management Team

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Ciaran Davis (1)

CEO & Managing Director, HT&E

Ciaran Davis is the CEO & Managing Director of HT&E and responsible for the strategic and operational direction of the business. He was promoted to the position in August 2015 from his role as CEO of Australian Radio Network (ARN) where he spent five years repositioning the business to become the number one metropolitan radio operator in Australia. Responsible for the recruitment of leading talent to the network and strategic investments such as 96FM and iHeartRadio, Ciaran established a new management team and drove a culture of ambition and success throughout the business. Ciaran joined ARN as CEO in January 2010 from Communicorp Group Ltd in Ireland, where he spent 10 years working in executive leadership roles across the group's radio and media interests in Europe and the Middle East. Ciaran is also the Chairman of social video content marketing agency Emotive, and is a Board member of Gfinity Australia, Soprano Design, Unbnd Group and The Australian Ireland Fund. Ciaran was appointed as Managing Director of HT&E in August 2016.

Jeff Howard (2)

Chief Financial Officer, HT&E

Jeff Howard joined HT&E in 2010 and was appointed Chief Financial Officer in December 2012. Jeff spent more than nine years with ABN AMRO and RBS in corporate lending and broader relationship banking roles that included a focus on the telecommunications and media sectors. Prior to this, Jeff was with KPMG where he spent nearly 10 years in audit and project roles, including a secondment to KPMG's Philadelphia practice. Jeff completed his Executive MBA with the Australian Graduate School of Management in 2005, and is a Graduate of the Australian Institute of Company Directors and a Chartered Accountant. Jeff is a Director of Soprano Design, Gfinity Australia and Unbnd Group, and was previously a Director of Lux Group (formerly Aussie Commerce).

Yvette Lamont (3)
Group General Counsel and Company Secretary, HT&E

Yvette Lamont has been Group General Counsel and Company Secretary of HT&E since 1998. She was previously General Counsel of pay television company Australis Media Limited (Galaxy), a Senior Associate with law firm Allens (in the Media and Technology Group) and a solicitor with boutique law firm Boyd, House & Partners specialising in media law. Yvette is a member of the Media and Communications Committee of the Law Council of Australia and a Graduate of the Australian Institute of Company Directors, and has completed the Company Meetings and Company Secretarial Practice courses with the Governance Institute of Australia. She is admitted as a solicitor to the Supreme Court of New South Wales and the High Court of Australia.

Tony Kendall (4)
Chief Revenue Officer, HT&E (from 3 April 2017); Chief Executive Officer, ARN (until 3 April 2017)

Tony Kendall is Chief Revenue Officer of HT&E, having been appointed in April 2017. Tony commenced his previous role as Chief Executive Officer (CEO) of ARN in December 2015. Tony joined ARN from Bauer Media where he spent almost three years as Director of Sales. He joined Bauer in early 2013 from News Corp Australia where he spent over 23 years in senior commercial management roles across Melbourne, Sydney and New York, including a year as the CEO of the Australian magazine division. Tony is also a Director of the Melbourne Fashion Festival (since 2010).

Mike Tyquin (5)
Chief Executive Officer, Adshel (from 3 April 2017)

Mike Tyquin joined Adshel in May 2014 as Chief Commercial Officer and commenced as Chief Executive Officer (CEO) on 3 April 2017. Over more than 20 years, Mike has held a range of senior executive positions in the out-of-home advertising industry including over nine years at Network Ten's out-of-home business EYE Corp (EYE). During his time at EYE, Mike led the operations in South East Asia before spending five years as CEO of Australia and New Zealand. Mike is a director of industry bodies OMA (Outdoor Media Association) and MOVE (Measurement of Outdoor Visibility and Exposure).

Rob Atkinson (6)
Chief Executive Officer, ARN (from 3 April 2017); Chief Executive Officer, Adshel (until 3 April 2017)

Rob Atkinson is Chief Executive Officer (CEO) of ARN, having been appointed in April 2017. Rob joined Adshel in his previous role as CEO in November 2011, having previously held the position of Chief Operating Officer of Clear Channel UK. Rob originally joined Clear Channel as Sales Director in 2005, before being promoted to Group Sales Director and then Managing Director in the same year (2008). Prior to joining Clear Channel, Rob held various senior sales roles at Associated Newspapers in both London and Dublin and won the prestigious Campaign Magazine UK Sales Leader of the Year in 2009. As CEO at Adshel, Rob pioneered the launch of the world's first national digital street furniture network, as well as the biggest national deployment of beacons in the world. In the past four years, he has been shortlisted twice, for both Australian CEO of the Year, and Media Executive of the Year, by the prestigious CEO Magazine.

Zac Zavos (7)
Chief Executive Officer, Conversant Media

Zac Zavos co-founded Conversant Media in 2007, a digital media company that produces engaging premium sites that include Australia's leading sports opinion website, The Roar, the renowned global culture website, Lost At E Minor, and the tech and lifestyle website, Techly. Prior to this, Zac spent nine years in digital consulting with several firms including IBM (1998 to 2001), Deloitte (2002 and 2003) and ThoughtWorks (2005 to 2007). Zac has a Bachelor of Arts (Psychology & Sociology) and Master of Commerce (Information Systems & Management) from The University of New South Wales.

Board of Directors


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Peter Cosgrove (1)
Chairman

Peter Cosgrove was appointed to the HT&E Board in December 2003. He is the founder of the Buspak group of companies in Australia, New Zealand and Hong Kong and has more than 20 years' experience in the broadcasting, publishing and outdoor advertising industries. Peter is Non-executive Chairman of Buspak Hong Kong (since 2003) and Non-executive Deputy Chairman of Clear Media Limited (Director since 2001), which is listed on the Stock Exchange of Hong Kong. Peter was also a Director and is a shareholder of MediaCap Pty Limited. He was previously Chairman of Globecast Australia Pty Limited (2002 to 2015), a broadcasting company based in Sydney.

Responsibilities: Non-executive Director, Chairman of the Board of Directors (since 2013) and Chair of Nomination and Governance Committee.

Ciaran Davis (2)
CEO & Managing Director

Refer to biography on page 18.

Paul Connolly (3)
Non-executive Director

BComm, FCA

Paul Connolly was appointed to the HT&E Board in October 2012. Paul has 25 years' experience advising on mergers and acquisitions, takeovers, disposals, fundraisings and initial public offerings. Since 1991, Paul has been Chairman of Connolly Capital Limited, a Dublin-based corporate finance advisory firm focused on the telecom, media and technology sectors. He was a Director of Esat Telecommunications Limited (Esat Telecom), an Irish telecommunications company, from 1997 to 2000, and then a Director of Digicel Limited, a Caribbean-based telecommunications company. In addition, he was a Director of Melita plc from 2007 to 2016. From 1987 to 1991, Paul held the position of Financial Controller of Hibernia Meats Limited and prior to that, he worked with KPMG as an accountant. Paul holds a Bachelor of Commerce degree from University College Dublin, Ireland, and is a Fellow of Chartered Accountants Ireland and a member of Executive Summit at Stanford Graduate School of Business. Currently, Paul serves on the Boards of Communicorp Group and Independent News & Media PLC and is Chairman of Tetrarch Capital Limited, the private Irish media group Business & Finance and UNICEF Ireland. Paul is also an external Senior Advisor to Credit Suisse.

Responsibilities: Non-executive Director and Member of Audit & Risk, Remuneration and Nomination and Governance Committees.

Peter Cullinane (4)
Non-executive Director

MBA, MMgt

Peter Cullinane was appointed to the HT&E Board in November 2013. He was the former Chief Operating Officer of Saatchi & Saatchi Worldwide (1998 to 2002) as well as the company's Chief Executive, New Zealand and Chairman, Australasia for over eight years prior. He is a respected force in global advertising and marketing who brings extensive industry knowledge, as well as expertise in Australasian and global markets, to the Board. Based in Auckland, Peter is the founder and Chairman of Lewis Road Creamery Limited, a fast growing, high-profile, dairy-based packaged goods business. He is a Director of NZME Limited (and was appointed Chairman in December 2017), a retired Director of WPP AUNZ Limited (2010 to 2016) and a retired Director of SKYCITY Entertainment Group (2008 to 2015), where he was Chairman of the Corporate and Social Responsibility Committee and a member of the Governance and Nominations Committee.

Responsibilities: Non-executive Director and Chair of Remuneration Committee.

Christine Holman (5)
Non-executive Director

MBA, GAICD

Christine Holman was appointed to the HT&E Board in November 2015 and brings a strong understanding of digital media and technology with over 20 years' experience across the technology, private equity and digital sectors in a variety of functions including finance, commercial, technology and marketing.

Christine was formerly the Commercial Director at Telstra Broadcast Services and was a member of their Executive and Remuneration Committees. Christine joined Telstra (as a result of its acquisition of Globecast Australia) where she was the Chief Financial Officer and Commercial Director.

Christine spent seven years at Capital Investment Group assisting management and the boards of investee companies on strategy, business development and mergers and acquisitions. She has an MBA from Macquarie University and a Post Graduate Diploma in Management from Macquarie University and is a Graduate of the Australian Institute of Company Directors.

Christine is a Non-executive Director of CSR Limited and The Bradman Foundation. Christine is also a Non-executive Director of the State Library of NSW Foundation (since February 2017) and T20 World Cup 2020 Cricket Board (since January 2018). Christine was a Director of Vocus Group Limited (from August 2017 to November 2017).

Responsibilities: Non-executive Director and Member of Audit & Risk and Nomination and Governance Committees.

Anne Templeman-Jones (6)
Non-executive Director

BComm (UWA), EMBA (AGSM UNSW), MRM (UNSW), CA, FAICD

Anne Templeman-Jones was appointed to the HT&E Board in June 2013.

Anne is an experienced listed company non-executive director, currently serving on the boards of GUD Holdings Limited, Citadel Group Limited (since September 2017), WorleyParsons Limited (since November 2017) and Cuscal Limited, and the Chairman of the Commonwealth Bank's financial advice companies. Anne was formerly a director of Pioneer Credit Limited, TAL Superannuation Fund, Notre Dame University and HBF's private health and general insurance companies.

Anne had a 30-year executive career developing deep operational, risk, governance and strategy experience. Early in her career she held audit and accounting roles with PricewaterhouseCoopers working in Australia and overseas. She gained experience in corporate banking with Bank of Singapore (OCBC Bank) and then Westpac Banking Corporation, and in private banking with Australia and New Zealand Banking Group. Anne returned to Westpac in 2007 and went on to hold various senior management positions in private banking, risk and strategy until 2013. Her depth of experience has enabled her to serve as a Chair or member of audit and risk committees on current and past boards.

Responsibilities: Non-executive Director, Chair of Audit & Risk Committee and Member of Remuneration Committee.

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Directors' Report

CORPORATE GOVERNANCE STATEMENT

The Board of HT&E endorses good corporate governance practices and oversees an organisation–wide commitment to high standards of legislative compliance and financial and ethical behaviour.

The Directors' overriding objective is to increase shareholder value within an appropriate framework that protects the rights and enhances the interests of all shareholders and ensures the Company is properly managed.

The Company has considered the best practice recommendations established by the ASX Corporate Governance Council "Corporate Governance Principles and Recommendations" (Recommendations) and has complied with those Recommendations for the entire reporting period.

A description of the Company's main corporate governance practices and policies is in the Company's Corporate Governance Statement, which together with the policies and charters referred to in it, is available on the Company's website, www.htande.com.au/corporate-governance.

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of HT&E and the entities it controlled at the end of, or during, the year ended 31 December 2017. Throughout this report, the consolidated entity is also referred to as the Group.

1. DIRECTORS

The Directors of HT&E Limited during the financial year and up to the date of this report are:

Peter Cosgrove (Chairman)
Paul Connolly
Peter Cullinane
Christine Holman
Anne Templeman-Jones
Ciaran Davis (CEO & Managing Director).

Details of the current Directors' qualifications, experience and responsibilities are set out on pages 18 and 20-21.

2. QUALIFICATIONS AND EXPERIENCE OF COMPANY SECRETARY

Refer to page 19 for the qualifications and experience of the Group General Counsel and Company Secretary, Yvette Lamont.

3. PRINCIPAL ACTIVITIES

HT&E is a media and entertainment company with assets in Australia and New Zealand.

HT&E owns ARN, Australia's leading metropolitan radio broadcaster and home to the national KIIS and Pure Gold networks, youth radio network The Edge and Emotive content creation business. ARN also operates music streaming, digital entertainment and live events brand iHeartRadio.

HT&E owns Australian and New Zealand street furniture and digital outdoor advertising business, Adshel, with over 22,000 static and digital advertising faces in street furniture, rail and petro-convenience environments.

HT&E also owns Cody Out-of-Home in Hong Kong, which has a network of over 450 outdoor advertising panels across major Hong Kong tunnels as well as the iconic tram shelters on Hong Kong Island.

HT&E owns Conversant Media, a pure play digital media company focused on video, mobile, native advertising formats and content creation. Conversant Media produces engaging premium websites, including Australia's leading sports opinion website, The Roar, the global culture website, Lost At E Minor, and tech and lifestyle website, Techly.

In June 2017, HT&E entered into a joint venture with IKON Media & Entertainment to create a new division and brand, HT&E Events. In August 2017, HT&E Events entered into a joint venture with Gfinity PLC to create a new Australian esports business, Gfinity Esports Australia, to launch Australia's first city-based franchise esports league.

Directors' Report

4. DIVIDENDS

Dividends paid to owners of HT&E Limited during the financial year were as follows:

DIVIDENDS

Type	Cents per share	$'m	Date of payment
Final 2016 Ordinary	**4.0**	12.3	26 Apr 2017
Interim 2017 Ordinary	**3.0**	9.25	29 Sep 2017

Since the end of the financial year, the Directors have declared the payment of a fully franked final dividend of 4 cents per ordinary share in respect of the year ended 31 December 2017. This dividend is payable on 26 April 2018.

5. CONSOLIDATED RESULT AND REVIEW OF OPERATIONS

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the Chairman's Report, CEO's Report and Operating and Financial Review on pages 2 to 13.

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity during the financial year under review not otherwise disclosed in this Directors' Report or the consolidated financial statements.

7. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Events occurring after balance date are outlined in note 6.6 to the consolidated financial statements.

8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Overall strategic direction and prospects are discussed in the Chairman's and CEO's Reports on pages 2 to 5 and the Operating and Financial Review on pages 6 to 13.

Further information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years has not been included in this Directors' Report because, in the opinion of the Directors, it would prejudice the interests of the consolidated entity.

9. RISK MANAGEMENT

The Board plays an active role in the setting and oversight of HT&E's Risk Management Framework.

The Australian advertising industry is subject to inherent risks including, but not limited to, exposure to macro-economic factors, technological and social changes impacting consumer behaviours and advertiser spending, market competition and impacts of changes in government regulations.

The process of identifying, monitoring and mitigating significant business risks under the Group's Risk Management Framework is outlined in further detail in the Corporate Governance Statement which is available on the Company website.

Directors' Report

The Group has identified a number of specific business and financial risks, which depending on the severity, may impact HT&E's ability to achieve its strategic objectives and financial forecasts. Risks include but are not limited to:

Risk	Description
Macroeconomic factors	The Group operates within the outdoor, radio and digital advertising sectors in Australia (and New Zealand for outdoor). The ability to execute its strategy is linked to ongoing economic stability in those markets. If economic conditions were to deteriorate, there could be a significant reduction in Group revenues and earnings. The Group enters into long-term contracts that contain fixed cost commitments which do not vary with revenue; consequently, a reduction in advertising revenues could result in a significant reduction in Group earnings.
Competitive pressures	The Group's strategic objectives could be impacted by increasing numbers of traditional and non-traditional competitors entering the markets in which the Group operates, changes in strategy of existing competitors, and the possibility of further industry consolidation. Plans and strategies are continuously reviewed to mitigate this risk. The Group monitors performance and market developments to reassess plans and strategies as required.
Loss of a key contract in Adshel	Adshel manages a portfolio of site leases/licences. The loss of a significant contract or contracts could have a material impact on the overall network and result in a reduction in Group revenues and earnings. The risk associated with the loss of a key contract is partly mitigated through the development of long term partnerships with councils and site owners founded on proven expertise and service delivery. The renewal of site leases/licences is usually subject to a competitive tender process. Adshel has implemented a structured and comprehensive approach to contract renewals that focuses on maximising long-term earnings and shareholder value.
Changes in advertiser and/or audience preferences	The sectors in which the Group operates have experienced consistent revenue growth in the recent past; however, further growth is contingent on remaining relevant to advertisers and consumers. Changes in consumer preferences leading to audience fragmentation could over time result in revenue declines. Diversification of the Group provides some protection against individual sector weaknesses. Further, the Group continues to invest in capability including, but not limited to, retaining experienced media executives, hiring proven radio talent, participation in industry bodies, advertising and market research to mitigate the risk as best possible.
Tax matters	As previously disclosed, there are a number of open tax matters with the Australian Taxation Office, the outcomes of which have the potential to adversely impact earnings and the Group's strategy. Further details are provided in note 4 to the consolidated financial statements.

Directors' Report

Loss of broadcasting licence	While considered unlikely, the loss of an Australian radio broadcasting licence would have a material impact on Group revenues and earnings. The Group has long standing controls in place to minimise the risk of legislation compliance breaches.
Information Technology including cyber security	There are a number of information technology systems that are critical to the operations of the Group and protection of privacy of data. The Group continues to invest in cyber security and strengthening its [IT Risk Management Framework] to reduce the occurrence of outages, enable early detection of issues and mitigate operating and financial impacts.
Legislative environment	The Group is subject to changes in government legislation, which could limit future revenues from certain advertisers or specific advertising formats. The Group may be required to obtain permits from government bodies prior to converting static outdoor advertising panels to digital screens. The Group derives revenue from a large number of advertisers across a diverse range of industry sectors. Further, the Group has a strong understanding of the legislative environment in which it operates.

10. ENVIRONMENTAL REGULATION

The Directors recognise the importance of environmental and occupational health and safety issues. The Directors are committed to compliance with all relevant laws and regulations to ensure the protection of the environment, the community and the health and safety of employees. The operations of the consolidated entity are not subject to any particular and significant environmental regulation under the law of Australia, New Zealand or Hong Kong.

11. REMUNERATION REPORT

The Remuneration Report is set out on pages 29 to 44 and forms part of this Directors' Report.

12. DIRECTORS' MEETINGS

The number of meetings of the full Board of Directors and Board Committees held in the period each Director held office during the financial year and the number of those meetings attended by each Director in their capacity as a member of the Board or Board Committee were:

	BOARD OF DIRECTORS		AUDIT & RISK COMMITTEE		REMUNERATION COMMITTEE		NOMINATION AND GOVERNANCE COMMITTEE	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Peter Cosgrove	7	7	-	-	-	-	1	1
Paul Connolly	7	7	6	6	4	4	1	1
Peter Cullinane	7	7	-	-	4	4	-	-
Christine Holman	7	7	6	6	-	-	1	1
Anne Templeman-Jones	7	7	6	6	4	4	-	-
Ciaran Davis	7	7	-	-	-	-	-	-

Committees were formed for purposes including reviewing and approving the half-year and annual financial statements, 2016 Annual Report and Shareholder Review, and Notice of Meeting. These meetings were attended as follows (Held/Attended): Peter Cosgrove (3/3), Anne Templeman-Jones (1/1) and Ciaran Davis (5/5).

Directors' Report

13. DIRECTORS' INTERESTS

The Remuneration Report on pages 29 to 44 of this Annual Report contains details of shareholdings of the Directors and Executive Key Management Personnel for the year ended 31 December 2017.

14. SHARES UNDER OPTION

There were no unissued shares of HT&E Limited under option at 31 December 2017 and no shares issued during the financial year as a result of the exercise of options. No options have been granted since the end of the financial year.

15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The parent entity's Constitution provides for an indemnity for officers of the Company against any liability incurred by an officer of the Company in their capacity as an officer. Under the *Corporations Act 2001*, this indemnity does not extend to a liability to the parent entity or a related body corporate of the parent entity, a liability for a pecuniary penalty or compensation order under certain provisions of the *Corporations Act 2001* or a liability that is owed to someone other than the parent entity or a related body corporate of the parent entity, which did not arise out of conduct in good faith.

An Access, Indemnity and Insurance Deed is also provided to each Director and officer who serves as a director of the Company, a subsidiary or associated entity. The Deed is consistent with the Constitution and indemnifies these persons to the extent permitted by law for liabilities and legal costs incurred as a director of these entities (subject to some limitations).

16. INSURANCE OF DIRECTORS AND OFFICERS

The parent entity has paid for an insurance policy for the benefit of all persons who are or have been directors or officers of the parent entity or any other company in the consolidated entity against liabilities incurred during any one policy period. The insured persons include current and former directors, officers and company secretaries of the parent entity and any other company in the consolidated entity. The insurance policy specifically prohibits the disclosure of the nature of the liability covered and the premium paid.

17. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of a court under section 237 of the *Corporations Act 2001*.

18. NON-AUDIT SERVICES

The Group may decide to employ its auditors on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group is important.

During the financial year, the Company's auditor, PricewaterhouseCoopers, received or is due to receive $572,000 for the provision of non-audit services. Full details of the amounts paid or payable to the auditors for audit and non-audit services provided during the financial year are set out in the Annual Report in note 6.3 to the consolidated financial statements.

The Company auditor has provided the Directors with an Auditor's Independence Declaration in relation to the audit, a copy of which follows immediately after this Directors' Report. The auditor has also confirmed to the Directors that it has in place independence quality control systems which support its assertions in relation to its professional and regulatory independence as auditor of the consolidated entity (including the requirements of APES 110 *Code of Ethics for Professional Accountants*).

The Audit & Risk Committee has reviewed the fees provided to the auditor for non-audit services in the context of APES 110, the requirements of the Audit & Risk Committee Charter, the Audit Firm Service Provider Policy and general corporate governance practices adopted by the consolidated entity.

Based on the above factors, the Audit & Risk Committee has no reason to believe that there has been any compromise in the independence of the auditor due to the provision of these non-audit services and has advised the Board accordingly.

Directors' Report

In accordance with the advice of the Audit & Risk Committee, the Directors are therefore satisfied that the provision of non-audit services during the financial year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and that the provision of non-audit services during the financial year did not compromise the auditor independence requirements of the *Corporations Act 2001*.

19. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration, as required under section 307C of the *Corporations Act 2001*, follows immediately after this Directors' Report.

20. ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission, relating to the rounding off of amounts in this Directors' Report and the financial report. Amounts in this Directors' Report and the financial report have been rounded off to the nearest thousand dollars, or in certain cases to the nearest dollar, in accordance with that Instrument.

This Directors' Report is issued in accordance with a resolution of the Directors.

Peter Cosgrove
Chairman

Sydney
15 February 2018

Remuneration Report

DEAR SHAREHOLDERS

On behalf of the Remuneration Committee and the Board of Directors, I present HT&E's Remuneration Report for 2017.

The main role of the Remuneration Committee is to ensure that HT&E's remuneration policies and practices are consistent with and relevant to the achievement of the strategic goals of the Group. Amongst other objectives, the Committee is tasked with reviewing and recommending, to the Board, all reward outcomes and any significant changes to remuneration arrangements for the Chief Executive Officer and his Key Management Personnel (KMP) direct reports. In this regard and as noted in the 2016 Remuneration Report, several changes were made to the Group's Total Incentive Plan (TIP) ahead of the 2017 year.

The Chairman and Chief Executive Officer's reports outline the performance of the Group in 2017. While HT&E's statutory results improved year on year, actual results for the Group were well short of expectations. The remuneration outcomes set out below reflect this performance.

REMUNERATION CHANGES FOR 2017

In late 2016, the Board reviewed the appropriateness of the TIP structure compared to a more usual short-term incentive (STI) / long-term incentive (LTI) scheme. Based on external feedback and our own assessment, we concluded that the TIP remained, in the Board's opinion, the most effective incentive mechanism for HT&E.

The financial metrics were expanded to reflect the shape of HT&E's business following the execution of key strategic initiatives in 2016. Given the nature of the business, and the desire to see growth in earnings per share (EPS) and return on invested capital (ROIC), both measures were added to the existing earnings before interest, tax, depreciation and amortisation (EBITDA) financial metric for TIP assessment. Targets are set annually for the following 12 months based on current year actual results and expected performance for the year ahead.

Limited changes were made to KMP total fixed remuneration (TFR) in 2017; where changes were made these related to changes in roles and/or responsibilities compared to 2016.

REMUNERATION OUTCOMES FOR 2017

2017 TIP

HT&E's financial performance in 2017 from continuing operations was mixed:

- Radio's operating weakness in the second half of 2016 continued into the first half of 2017. Ratings improvement and the return to number one national radio network in August 2017 saw an improvement in revenue performance through the second half. However, this improvement was insufficient to offset the first half performance, and ARN's result was well behind target (which was adjusted for licence fee relief delivered as part of media reform).
- Adshel performed very strongly in the first nine months of 2017, with revenue ahead of target and 11% ahead of 2016 by September. The loss of the Yarra Trams contract, discussed in the Operating and Financial Review, had a significant impact on Q4 results, and as announced to the ASX on 3 October 2017 is expected to have a material impact on Adshel's 2018 earnings. While Adshel's full year result remained ahead of target, the loss of this contract has been taken into consideration when assessing TIP outcomes.

Overall, Group financial performance saw:

- EBITDA, and before exceptional items, of $118.4 million. This was up 30% on 2016 but was 11% behind target;
- EPS on a pre-amortisation, post-tax basis, before exceptional items, of 17.6 cents. This was 10% behind target; and
- ROIC, calculated based on earnings before interest and tax and amortisation (EBITA), was 13.4%, compared to adjusted target of 11.9% (adjustment for radio licence fee relief and impact on accumulated losses for prior period accounting policy change).

HT&E's performance means there are no TIP awards for the Chief Executive Officer and his direct reports (other than Mike Tyquin) related to financial measures in 2017. While Adshel met its targets for the year, Mike Tyquin's financial performance reward was reduced by 37% to reflect the loss of the Yarra Trams contract in October. Though most Key Management

Remuneration Report

Personnel met their personal key performance indicator (KPI) targets, given the financial performance the Board used its discretion to reduce KPI awards on average by 30%. Further, all KPI awards, and Mike Tyquin's financial performance award, have been recognised by granting provisional equity rights, deferred under the TIP rules. No cash payments have been made relating to 2017 performance. Further, 2017 KPI elements of the TIP awards will be clawed back if HT&E does not achieve target thresholds in 2018. The Board believes this fairly balances shareholder expectations with the commitments made under the scheme and the need to retain and motivate our key leadership.

2016 TIP

In accordance with the 2016 TIP, TIP shares issued to employees in 2016 have now vested after the one-year service period. These shares are now subject to holding lock for a further two years, ending on 31 December 2019. The number of vesting shares was adjusted in accordance with the plan rules for dividends paid during 2017.

2015 LTI plan

The 2015 LTI plan included EPS and total shareholder return (TSR) components; the EPS target was to achieve 10% growth in adjusted pre-tax earnings per share, while the TSR component was subject to achieving 51st percentile performance against a specific peer group. A portion (75%) of the 2015 LTI grant vested based on HT&E's adjusted pre-tax EPS at 31 December 2017. Adjusted pre-tax and pre-acquisition amortisation EPS for 2017 was 25.3 cents, 2% above target. Including acquisition amortisation, adjusted pre-tax EPS for 2017 was 20.5 cents, 4% above target. The Board adjusted the base year EPS (2014) for the financial impacts of the NZME demerger, the 2016 share consolidation, the acquisitions of 96FM (2015), Adshel and Conversant Media (both 2016) and related share issuance, the disposal of Australian Regional Media (ARM) in 2016 and the radio licence fee removal in 2017.

As HT&E's total shareholder return (TSR) over the period was less than the 51st percentile of TSR growth relative to a select group of companies in the Consumer Discretionary, Financials and Industrial sectors, none of the TSR LTI rights vested.

The number of vesting LTI rights was adjusted upwards by approximately 81,000 rights to ensure participants were not economically disadvantaged from the demerger of NZME in 2016, in accordance with the plan rules. Shares were acquired on market during 2017 to satisfy this obligation. The award of shares increases management's shareholding in the Company, further aligning shareholder and management interests.

REMUNERATION CHANGES FOR 2018

The Board has again reviewed the appropriateness of the TIP structure for 2018. We have concluded that the scheme remains the most effective mechanism to incentivise HT&E's leadership. We have also concluded that the financial metrics continue to reflect the Board's desire to see growth in earnings and returns, and so no changes have been made for 2018.

Board fees and senior leadership base salaries were also amended during the second half of 2017 to reflect HT&E's positioning after the 2016 organisational changes:

- all Directors have taken a 15% reduction in the base fee; and
- the CEO and Chief Financial Officer (CFO) offered to take a similar 15% reduction in Total Fixed Remuneration (TFR), and the Board has accepted this offer, effective from 1 January 2018. This could have a corresponding impact on potential TIP outcomes. To ensure management remains incentivised to deliver outstanding results for shareholders, the Target Award Opportunity has been adjusted upwards by the quantum of the TFR change.

Details outlining these changes are set out in section B of the Remuneration Report.

The Board believes we have achieved our desired goal of an incentive plan that strongly aligns our management team with the interests of shareholders.

Peter Cullinane
Chair of the Remuneration Committee

Remuneration Report

OUR DETAILED REMUNERATION REPORT

This Remuneration Report for the year ended 31 December 2017 outlines key aspects of our remuneration policy and framework, and has been audited in accordance with the *Corporations Act 2001*.

Our remuneration report contains the following sections:

A. Who this report covers
B. Executive remuneration policy and framework, and the role of the Remuneration Committee
C. Actual remuneration for 2017
D. How 2017 reward was linked to performance
E. Total remuneration for Executive KMP
F. Contractual arrangements with Executive KMP
G. Non-executive Director arrangements
H. Share-based remuneration
I. Director and Executive KMP shareholdings
J. Other statutory disclosures.

A. WHO THIS REPORT COVERS

This report covers Key Management Personnel (KMP), comprising Executive Key Management Personnel (Executive KMP) and Non-executive Directors. No further changes have occurred since 31 December 2017 up to the date of this report:

Name	Role
Executive KMP	
Ciaran Davis	CEO and Managing Director
Jeff Howard	Chief Financial Officer
Tony Kendall	Chief Revenue Officer (from 3 April 2017; previously Chief Executive Officer, Australian Radio Network)
Yvette Lamont	Group General Counsel and Company Secretary
Rob Atkinson	Chief Executive Officer, Australian Radio Network (from 3 April 2017; previously Chief Executive Officer, Adshel)
Mike Tyquin	Chief Executive Officer, Adshel (from 3 April 2017)
Former Executive KMP	
Neil Monaghan	Chief Executive Officer, Australian Regional Media (until 28 December 2016)
Michael Boggs	Chief Executive Officer, NZME (from 8 April 2016 to 29 June 2016)
Jane Hastings	Chief Executive Officer, NZME (until 8 April 2016)
Non-executive Directors	
Peter Cosgrove	Non-executive Chairman
Paul Connolly	Non-executive Director
Peter Cullinane	Non-executive Director
Christine Holman	Non-executive Director
Anne Templeman-Jones	Non-executive Director
Former Non-executive Directors	
Sir John Anderson	Non-executive Director (until 30 June 2016)
Ted Harris AC	Non-executive Deputy Chairman (until 11 May 2016)

Remuneration Report

B. EXECUTIVE REMUNERATION POLICY AND FRAMEWORK, AND THE ROLE OF THE REMUNERATION COMMITTEE

The Remuneration Committee determines the remuneration policy and structure with the primary goal of attracting and retaining individuals capable of managing the Group's operations in line with shareholder expectations. The executive packages are structured to:

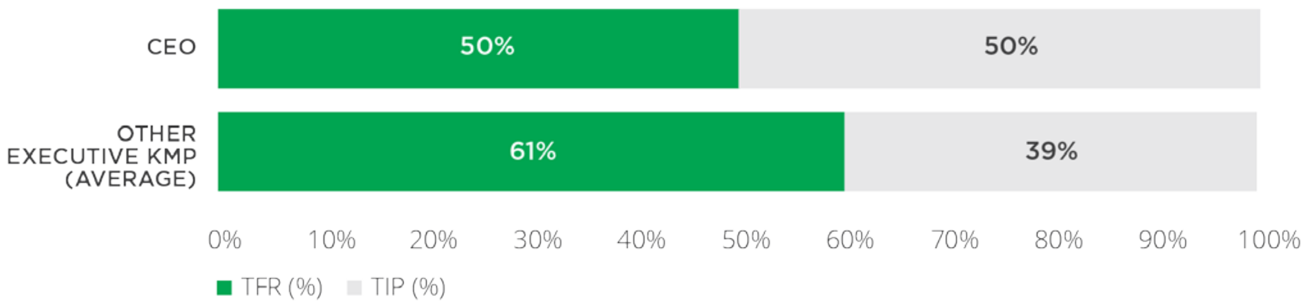
- be competitive in the market;
- drive Executive KMP engagement;
- provide an appropriate balance between short and long-term performance focus;
- reward the achievement of financial and strategic objectives;
- align executive reward with Company performance; and
- create value for shareholders.

These principles were reflected in the remuneration framework for 2017, which is outlined below:

(I) TOTAL FIXED REMUNERATION (TFR)

TFR comprised base salary, superannuation contributions and non-monetary benefits. The purpose of TFR is to recognise the capability and experience of the individual, and the scope and responsibility of the role.

The target remuneration mix for the CEO & Managing Director (CEO) and the average across the other Executive KMP in 2017 is illustrated below:

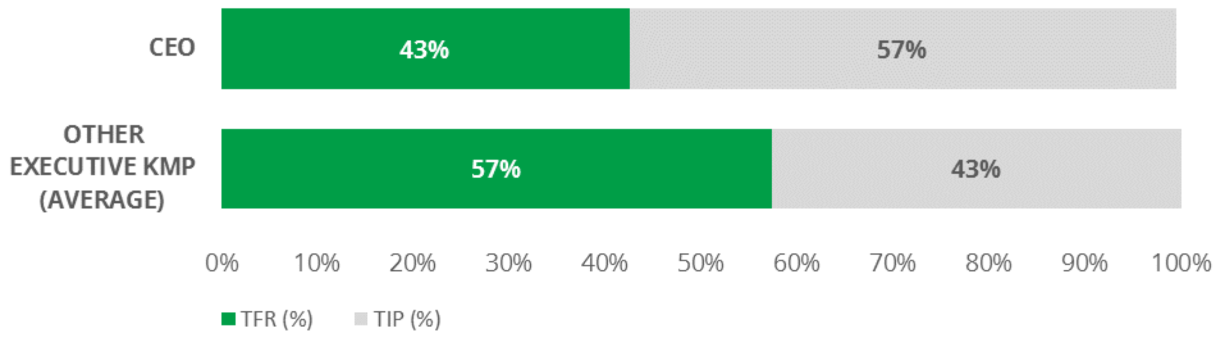


As noted above, the CEO and CFO offered to take a 15% reduction in base salary, which the Board accepted effective 1 January 2018. This could have a corresponding impact on potential TIP outcomes. To ensure management remains incentivised to deliver outstanding results for shareholders, the Target Award Opportunity has been adjusted upwards by the amount of TFR forgone, resulting in the Target Award Opportunity being approximately 135% of revised TFR. If 2018 targets are achieved, the total compensation (TFR + TIP) for the CEO and CFO would equate to what could have been earned in 2017 if targets had been met. This reweighting to TIP benefits shareholders in two ways:

- a greater proportion of the CEO's and CFO's total compensation is at risk and subject to performance outcomes. If performance targets are not met, a TFR cost reduction of 15% is achieved; and
- if performance targets are achieved, a greater proportion of total compensation will be paid in shares, deferred over three years. This further aligns management and shareholder objectives.

Consequently, the target remuneration mix for the CEO and the average across the other Executive KMP for 2018 is different to 2017, as illustrated over the page:

Remuneration Report



Retirement benefits

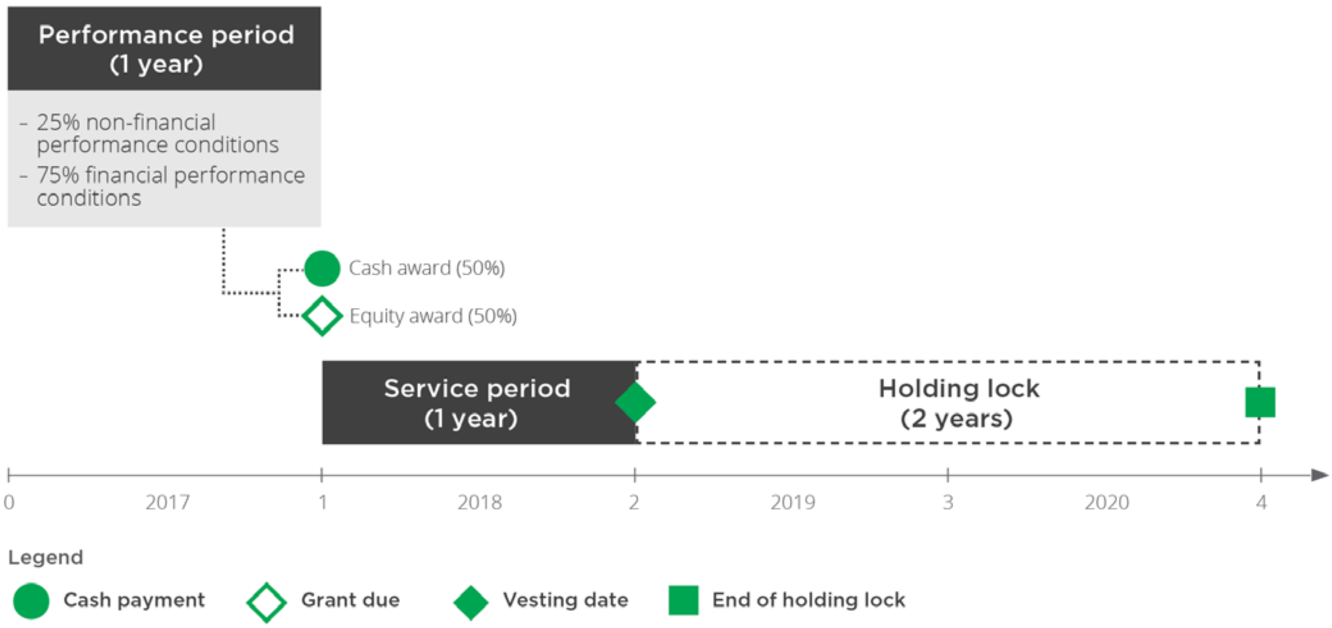
Retirement benefits are considered as part of TFR and are delivered to Executive KMP in the form of statutory superannuation contributions to a number of different funds. All contributions made on behalf of executives are based on a percentage of fixed salary. Ms Lamont is a member of a defined benefit superannuation plan (the plan provides defined lump sum or annuity benefits based on years of service and final average salary).

Other remuneration related costs

The Company sometimes incurs other remuneration related costs in respect of certain executives which are not regarded as part of the executive's TFR. Typically, other payments are ancillary to the executive's employment such as rental assistance or family travel in circumstances where the Company requires the executive to relocate. These costs include fringe benefits tax, if applicable.

(II) TOTAL INCENTIVE PLAN (TIP) OVERVIEW

The TIP provides eligible participants with the opportunity to receive cash and equity based on a one-year performance period following an assessment against specified financial and non-financial performance conditions. The following diagram illustrates the operation of the TIP for 2017. No cash payments were made to KMPs in 2017. The structure for 2018 is the same but for changes for relevant periods, being 2018 to 2021, and the increase to potential Award Opportunity for the CEO and the CFO to compensate for the base salary reductions taken.



Remuneration Report

(III) TIP: KEY TERMS (2017) AND CHANGES (2018)

The following table outlines the key terms of the 2017 TIP and the changes applying for 2018 (other than for relevant periods, being 2018 to 2021):

<table>
<tr><th>Feature</th><th colspan="4">Description</th></tr>
<tr><td>Eligibility</td><td colspan="4">At the absolute discretion of the Board, the CEO and other Executive KMP were eligible to participate in the TIP.</td></tr>
<tr><td>Award opportunity and changes for 2018</td><td colspan="4">Eligible participants had a target award opportunity, which varied between 50% and 100% of fixed remuneration, depending on the participant's role and responsibilities. The maximum incentive was 137.5% of target incentive.

For the CEO and CFO in 2018, target award is 135.3% of fixed remuneration, reflecting the base salary reduction implemented from 1 January 2018.

KPI awards are capped at 100% of the target opportunity. As a result, the maximum incentive for 2018 is 137.5% of the target incentive.</td></tr>
<tr><td>Performance period</td><td colspan="4">The award was dependent on performance over a one-year performance period (the 2017 financial year). There is no opportunity for retesting.</td></tr>
<tr><td rowspan="3">Performance measures</td><td colspan="2">Financial performance conditions (75%)</td><td colspan="2">Non-financial performance conditions (25%)</td></tr>
<tr><td colspan="2">For the CEO and other Group Executive KMP, performance was measured based on the table below.

For divisional Executive KMP, performance was measured against their relevant divisional EBITDA (50%) and Group measures (25%).</td><td colspan="2">Performance was measured against specific metrics as determined for each participant at the commencement of the performance period. These metrics may have included; Group measures/divisional measures (e.g. business transformation or market share), and individual measures (e.g. leadership and development).</td></tr>
<tr><td colspan="4">The higher weighting of financial to non-financial metrics emphasises the importance the Board places on HT&E's financial performance.</td></tr>
<tr><td rowspan="9">2017 incentive payout schedule</td><td colspan="2">EBITDA and EPS</td><td colspan="2">ROIC</td></tr>
<tr><td>EBITDA/EPS performance</td><td>Percentage of target opportunity awarded</td><td>ROIC performance</td><td>Percentage of target opportunity awarded</td></tr>
<tr><td><95% of budget</td><td>0%</td><td>Below threshold[1]</td><td>0%</td></tr>
<tr><td>95% of budget</td><td>25%</td><td>At threshold</td><td>25%</td></tr>
<tr><td>>95% to <100% of budget</td><td>Pro-rata between 25% and 100%</td><td>Between threshold and budget</td><td>Pro-rata between 25% and 100%</td></tr>
<tr><td>100% of budget</td><td>100%</td><td>At budget</td><td>100%</td></tr>
<tr><td>>100% to <110% of budget</td><td>Pro-rata between 100% and 150%</td><td>Between budget and stretch</td><td>Pro-rata between 100% and 150%</td></tr>
<tr><td>At or above 110% of budget</td><td>150%</td><td>At or above stretch</td><td>150%</td></tr>
<tr><td colspan="4">The financial performance award schedule was designed to provide only limited awards where performance is below budget, with upside for performance above budget, up to a maximum cap of 150%.
Similarly, the non-financial award schedule was designed to limit awards below target. Upside will only be provided in exceptional circumstances at the absolute discretion of the Board.</td></tr>
<tr><td>Form of award</td><td colspan="4">Awards under the TIP are granted to participants following the assessment of performance. To the extent that performance measures were met:
• 50% of awards were made in cash following the assessment of performance; and
• 50% of awards were granted in rights to acquire fully paid ordinary shares in the Company for nil consideration (rights).
Given the financial performance in 2017, the Board used its discretion to satisfy all KPI awards, and</td></tr>
</table>

Remuneration Report

Feature	Description
	Mike Tyquin's financial performance award, by granting equity rights, deferred under the TIP rules. No cash payments have been made relating to 2017 performance. Further, non-cash KPI awards under the TIP in 2017 will be clawed back if HT&E does not achieve target thresholds in 2018. Subject to the satisfaction of a one-year service period, vested Rights will convert to fully paid ordinary shares. Vested rights will automatically convert into shares without the requirement for the participant to exercise their rights. Participants will receive an additional allocation of shares at vesting equal to the dividends paid on vested rights over the Service Period. Vested shares will be subject to a further two-year holding lock.
Equity allocation methodology	Equity is granted based on the face value of the rights.
Clawback	The Company may reduce unvested equity awards in certain circumstances such as gross misconduct, material misstatement or fraud. The Board may also reduce unvested awards to recover amounts where performance that led to payments being awarded is later determined to have been incorrectly measured or not sustained.
Treatment of awards on cessation of employment	Awards are forfeited for 'bad' leavers (e.g. resignation or termination for cause), while 'good' leavers (e.g. cessation of employment due to redundancy, total disablement or death) receive pro-rated awards based on the extent to which performance and service conditions are met.
Treatment of awards on change of control	Participants receive pro-rated awards based on the extent to which performance and service conditions are met.

(1) Threshold will be determined with reference to prior year ROIC, next 12-months expected earnings and forecast changes to capitalisation in the budget.

(IV) OTHER REMUNERATION ARRANGEMENTS, BOARD DISCRETION, AND CLAWBACK OF REMUNERATION

Other remuneration arrangements will be entered into on an 'as needed' basis as determined by the Board. These may include retention and transaction/project completion incentives.

The Board retains the ultimate discretion regarding remuneration outcomes. The Board may make, or cancel (clawback) awards where it sees fit to align with remuneration policy and/or Company strategic outcomes.

C. ACTUAL REMUNERATION FOR 2017

The following section sets out the value of remuneration which has been received by Executive KMP for the 2017 performance year, and outlines the outcomes of the 2015 LTI plan which was tested at 31 December 2017.

Other than for the CEO of Adshel, no financial performance related incentive payments were made under the 2017 TIP due to financial performance being lower than expectations. While Adshel met its targets for the year, Mike Tyquin's financial performance reward was reduced by 37% to reflect the loss of the Yarra Trams contract in October. Though most KMP met their personal KPI targets, given the financial performance the Board used its discretion to reduce KPI awards on average by 30%. Further, all KPI awards, and Mike Tyquin's financial performance award, have been recognised by granting provisional equity rights, deferred under the TIP rules. No cash payments have been made relating to 2017 performance. Further, non-cash KPI awards under the TIP in 2017 will be clawed back if HT&E does not achieve target thresholds in 2018. The Board believes this fairly balances shareholder expectations with the commitments made under the scheme and the need to retain and motivate our key leadership.

A number of KMP received shares associated with the 2015 LTI plan. This was the last of the 'old format' LTI schemes outstanding for HT&E employees. No additional incentive payments were received by Executive KMP during 2017.

Remuneration Report

The figures in the following table are different to those shown in the accounting table in section E of this report because that table includes the apportioned accounting value for all vested TIP grants and unvested LTI grants. It also includes accrued long service leave and non-monetary benefits provided in addition to their TFR.

The TIP values represent the cash portion (50%) of the total TIP awarded for each year. Vested LTI in 2017 is the value of the 2015 LTI grant which vested at the end of 2017; in 2016, it is the value of the 2014 LTI grant which vested at the end of 2016. The 2015 LTI plan requires the Company to deliver shares to the recipients on a pre-organisational changes valuation basis (including the demerger of NZME in 2016), such that the recipients are not economically disadvantaged. There has been no alteration to the terms or conditions of any grant since the grant date. The Board had hedged the EPS tranche share obligations during the year as vesting was reasonably certain; consequently, the vesting component of the 2015 LTI has been satisfied through delivery of shares to Executive KMP. Vested LTI values reflect the value of shares as at 1 January 2018 and were calculated by multiplying the number of vested rights by the aggregate share price of HT&E and NZME on that date.

ACTUAL REMUNERATION

Executive KMP	TFR[1] $	TIP $	Vested LTI $	Other $	Total $
Ciaran Davis					
2017	**1,200,000**	**–**	**250,642**	**–**	**1,450,642**
2016	1,200,000	528,955	73,277	200,000	2,002,232
Jeff Howard					
2017	**750,000**	**–**	**105,256**	**–**	**855,256**
2016	700,000	352,701	73,277	–	1,125,978
Tony Kendall					
2017	**653,306**	**–**	**–**	**–**	**653,306**
2016	597,308	79,595	–	–	676,903
Yvette Lamont[2]					
2017	**480,000**	**–**	**70,171**	**–**	**550,171**
2016	480,000	132,239	36,638	–	648,877
Rob Atkinson (from 25 October 2016)					
2017	**546,425**	**–**	**–**	**–**	**546,425**
2016	99,252	n/a	n/a	97,013	196,265
Mike Tyquin (from 3 April 2017)					
2017	**409,228**	**–**	**–**	**–**	**409,228**
Neil Monaghan (until 28 December 2016)					
2016	466,633	46,818	36,638	225,000	775,089
Michael Boggs (from 8 April 2016 to 29 June 2016)					
2016	173,851	–	n/a	–	173,851
Jane Hastings (until 8 April 2016)					
2016	407,804	–	–	–	407,804
Total					
2017	**4,038,959**	**–**	**426,069**	**–**	**4,465,028**
2016	4,124,848	1,140,308	219,830	522,013	6,006,999

(1) TFR comprises base salary and superannuation and non-monetary benefits.
(2) Yvette Lamont is a member of a defined benefit scheme and her TFR includes $80,000 of contributions to that scheme.

Remuneration Report

D. HOW 2017 REWARD WAS LINKED TO PERFORMANCE

STATUTORY PERFORMANCE INDICATORS

The overall Company performance for 2017 is reflected in the performance indicators below. While statutory results reflect improvement over 2017, HT&E's financial performance was below expectations on a like-for-like basis.

	2017	2016	2015	2014	2013
Group EBITDA[1]	**$118.4m**	$90.9m	$166.2m	$164.1m	$162.8m
Net profit after tax before amortisation (NPATA)[2]	**$54.1m**	$66.1m	$78.3m	$81.1m	$64.3m
Weighted average number of shares outstanding[3]	**307,696,348**	200,039,379	158,127,258	150,784,465	118,618,174
Basic (NPATA) EPS[2, 3] (cents)	**17.6**	33.1	49.5	53.8	54.2
ROIC[4]	**13.4%**	9.6%	17.3%	17.2%	19.1%
Dividend paid to shareholders (cents per share)	**7.0**	nil	nil	nil	nil
Increase/(decrease) in share price (%)[5]	**(34%)**	(1%)	(37%)	86%	80%

(1) Continuing operations before exceptional items.
(2) Continuing and discontinued operations before exceptional items and amortisation, attributable to HT&E shareholders.
(3) Adjusted for share consolidation and bonus elements of the 2016 rights issues and placement, and the bonus element of the 2014 rights issue.
(4) Based on EBITA from continuing operations before exceptional items. The decline between 2015 and 2017 was due to demerger of NZME, sale of ARM and acquisition of remaining 50% of Adshel and related share issuance.
(5) 2016 opening share price adjusted for the impact of NZME demerger, share consolidation, rights issues and placement.

PERFORMANCE AND IMPACT ON REMUNERATION

(I) TIP AWARDED IN 2017

A component (75%) of the 2017 TIP award was dependent on Group and divisional financial performance relative to target. Performance for the 2017 financial year is outlined in the table below:

2017 TIP financial metrics	EBITDA performance	EPS performance	ROIC performance
Group	Below target; 89% of target achieved	Below target; 90% of target achieved	Below target; 91% of target achieved
ARN	Below target; 86% of target achieved	n/a	n/a
Adshel	Between target and maximum; 102% of target achieved	n/a	n/a

HT&E's performance means there are no TIP awards for the Chief Executive Officer and his Direct Reports (other than Mike Tyquin) related to financial measures in 2017. While Adshel met its targets for the year, Mike Tyquin's financial performance reward was reduced by 37% to reflect the loss of the Yarra Trams contract in October. Though most Key Management Personnel met their personal KPI targets, given the financial performance the Board used its discretion to reduce KPI awards on average by 30%. Further, all KPI awards, and Mike Tyquin's financial performance award, have been recognised by granting provisional equity rights, deferred under the TIP rules. No cash payments have been made relating to 2017 performance. Further, 2017 KPI awards will be clawed back if HT&E does not achieve target thresholds in 2018.

Executive KMP	TIP awarded (cash incentive)	TIP awarded (equity award)[1]	Total TIP awarded	% of target achieved	% of maximum achieved	% of maximum forfeited
Ciaran Davis	0	187,500	187,500	16%	11%	89%
Jeff Howard	0	117,188	117,188	16%	11%	89%
Yvette Lamont	0	39,667	39,667	17%	12%	88%
Tony Kendall	0	25,223	25,223	6%	5%	95%
Rob Atkinson	0	49,915	49,915	15%	11%	89%
Mike Tyquin	0	162,044	162,044	47%	34%	66%

(1) This differs from the accounting fair value of the equity award (included in section (e) below), which is calculated in accordance with accounting standards and expensed over two financial years, covering both the performance and service periods.

Remuneration Report

(II) LTI VESTED IN 2017

The final grant of performance rights under the LTI plan was made in August 2015, with performance tested on 31 December 2017. Performance against the EPS growth and relative TSR performance hurdles, and the percentage of the 2015 LTI grant which vested during 2017, are outlined in the table below:

2015 LTI performance measures	Percentage of LTI grant	Target performance	Actual performance	Percentage vested
EPS(1)	75%	10% pre-tax EPS growth over 3 years	14.9%	75%
Relative TSR	25%	51st percentile	12th percentile	0%
Total vesting				75%

(1) In accordance with the 2015 LTI plan, the Board adjusted the base year pre-tax EPS (2014) for the NZME demerger, 2016 share consolidation, the acquisitions of 96FM (2015), Adshel and Conversant Media (both 2016) and related share issuance, the disposal of ARM in 2016 and the radio licence fee removal in 2017.

As a result, 159,278 KMP 2015 LTI rights vested at 31 December 2017. As these rights related to HT&E shares prior to the demerger of NZME in mid 2016, the number of HT&E shares to be delivered to participants has been increased to ensure that the recipients are not economically disadvantaged. Consequently, 226,633 HT&E shares will be issued to KMP to satisfy the vesting of 2015 LTI rights. At 1 January 2018, these shares were valued at $426,069.

E. TOTAL REMUNERATION FOR EXECUTIVE KMP

Details of the Executive KMP remuneration for 2017 and 2016 are set out in the table below. The remuneration in this table has been calculated in accordance with accounting standards and therefore differs from the information included in section C of this report.

	Short-term benefits			Post-employment benefits	Other long-term benefits	Share-based payments	Termination benefits	Total
	Cash salary and fees[1] $	Non-monetary benefits $	Cash incentives[2] $	Super-annuation $	Long-service leave[3] $	Fair value of equity awards[4] $	$	$
Ciaran Davis								
2017	**1,158,551**	**31,401**	**–**	**19,832**	**44,689**	**572,353**	**–**	**1,826,826**
2016	1,158,315	32,322	728,955	19,462	33,452	273,218	–	2,245,724
Jeff Howard								
2017	**692,985**	**46,968**	**–**	**19,832**	**11,223**	**334,581**	**–**	**1,105,589**
2016	642,373	48,264	352,701	19,462	20,171	67,497	–	1,150,468
Tony Kendall								
2017	**633,474**	**–**	**–**	**19,832**	**381**	**60,858**	**–**	**714,545**
2016	577,846	–	79,595	19,462	416	49,361	–	726,680
Yvette Lamont[5]								
2017	**400,000**	**9,785**	**–**	**80,000**	**8,174**	**141,711**	**–**	**639,670**
2016	400,000	10,099	132,239	83,000	8,094	16,797	–	650,229
Rob Atkinson (from 25 October 2016)								
2017	**531,815**	**3,038**	**–**	**14,610**	**18,225**	**22,753**	**–**	**590,441**
2016	95,680	66,938	97,013	3,572	–	–	–	263,203

Remuneration Report

	Short-term benefits			Post-employment benefits	Other long-term benefits	Share-based payments	Termination benefits	Total
	Cash salary and fees[1] $	Non-monetary benefits $	Cash incentives[2] $	Super-annuation $	Long-service leave[3] $	Fair value of equity awards[4] $	$	$
Mike Tyquin (from 3 April 2017)								
2017	**409,228**	**8,690**	**–**	**13,305**	**–**	**73,865**	**–**	**505,088**
Neil Monaghan (until 28 December 2016)								
2016	447,331	–	271,818	19,302	6,762	(36,338)	–	708,875
Michael Boggs (from 8 April 2016 to 29 June 2016)								
2016	168,787	–	–	5,064	–	–	–	173,851
Jane Hastings (until 8 April 2016)								
2016	395,926	–	–	11,878	–	(201,267)	–	206,537
Total								
2017	**3,826,053**	**99,882**	**–**	**167,411**	**82,692**	**1,206,121**	**–**	**5,382,159**
2016	3,886,258	157,623	1,662,321	181,202	68,895	169,268	–	6,125,567

(1) Cash salary and fees includes accrued annual leave paid out as part of salary.
(2) Cash incentive payments relate to STI awards accrued for the relevant year, and paid in the year following.
(3) Long service leave relates to amounts accrued during the year.
(4) Includes a reversal of the 2014 LTI EPS portion, which has resulted in some negative amounts.
The fair value at grant date is independently determined using a number of methods including the Binomial option pricing model and the Monte-Carlo option pricing model which take into account the exercise price, the term of the right, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the right.
(5) Yvette Lamont is a member of a defined benefit superannuation plan. The amount disclosed above has been determined in accordance with the relevant accounting standards and differs from the amounts contributed to the scheme, which were included in the table in section (c) of this report.

Remuneration Report

F. CONTRACTUAL ARRANGEMENTS WITH EXECUTIVE KMP

Remuneration and other terms of employment for the Executive KMP are formalised in employment contracts. All Executive KMP are employed under contracts with substantially similar terms. The key elements of these employment contracts are summarised below:

Contract duration	Continuing
Notice by individual/Company	Employment may be terminated by either party. Notice periods vary according to contractual terms: CEO & Managing Director and Chief Financial Officer – 12 months, Chief Revenue Officer – six months, Group General Counsel – three months, and divisional Chief Executive Officers – six months.
Termination of employment (for cause)	All contracts provide that employment may be terminated at any time without notice for serious misconduct.
Termination of employment (without cause)	Where employment is terminated by the Company, payment may be made in lieu of notice.
Redundancy	If the Company terminates the employment of an Executive KMP for reasons of redundancy, a redundancy payment would be paid depending on the length of their service, in each case not exceeding: 12 months of base salary.
Non-compete/restraint	Executive KMP are subject to non-compete provisions for the term of their notice period.

G. NON-EXECUTIVE DIRECTOR ARRANGEMENTS

APPROACH

Non-executive Directors are provided with written agreements which outline the fees for their contribution as Directors. Fees reflect the demands which are made on, and the responsibilities of, the Directors. The Remuneration Committee has the responsibility for reviewing and recommending the level of remuneration for Non-executive Directors in relation to Board and Committee duties.

The annual fees provided to Non-executive Directors inclusive of superannuation are shown below:

	2017 $		2018(2) $	
Role	Chair fee(1)	Member fee	Chair fee(1)	Member fee
Board	250,000	100,000	212,500	85,000
Audit & Risk Committee	20,000	10,000	20,000	10,000
Remuneration Committee	20,000	10,000	20,000	10,000
Nomination and Governance Committee	20,000	10,000	20,000	10,000

(1) The Board Chair does not receive Committee fees.

(2) 15% reduction in Board fee effective 1 July 2017.

APPROVED FEE POOL

The Non-executive Director fee pool was increased to $1,200,000 per annum following shareholder approval at the 2015 Annual General Meeting (AGM). There will be no change to the Non-executive Director fee pool for 2018.

Remuneration Report

RETIREMENT BENEFITS

Non-executive Directors may receive retirement benefits in accordance with the *Corporations Act 2001*. Ted Harris received a retirement benefit of $200,000 during 2017 associated with his time as a Director of the Company. A further $250,000 is payable and has been fully provided for in the accounts. Retirement benefits to Non-executive Directors were frozen in 2007.

Details of the Non-executive Directors' fees for 2017 and 2016 are set out in the table below:

Director	Fees $	Super-annuation $	Retirement benefits $	Total $
Peter Cosgrove				
2017	**212,224**	**19,026**	**–**	**231,250**
2016	210,151	19,438	–	229,589
Paul Connolly				
2017	**111,872**	**10,628**	**–**	**122,500**
2016	114,190	10,848	–	125,038
Peter Cullinane				
2017	**102,740**	**9,760**	**–**	**112,500**
2016	109,589	10,411	–	120,000
Christine Holman (from 16 November 2015)				
2017	**102,740**	**9,760**	**–**	**112,500**
2016	106,303	10,099	–	116,402
Anne Templeman-Jones				
2017	**111,872**	**10,628**	**–**	**122,500**
2016	118,721	11,279	–	130,000
Sir John Anderson (from 26 March 2015 to 30 June 2016)				
2017	**–**	**–**	**–**	**–**
2016	50,228	4,772	–	55,000
Ted Harris AC (to 11 May 2016)				
2017	**–**	**–**	**–**	**–**
2016	49,813	4,732	–	54,545
Total				
2017	**641,448**	**59,802**	**–**	**701,250**
2016	758,995	71,579	–	830,574
Amounts paid by subsidiaries of HT&E Limited Peter Cosgrove – Chairman's fee Buspak Hong Kong				
2017	**–**	**–**	**–**	**–**
2016	10,388	519	–	10,907
Total				
2017	**641,448**	**59,802**	**–**	**701,250**
2016	769,383	72,098	–	841,481

Refer to note 6.4 of the consolidated financial statements for details of transactions with related parties.

Remuneration Report

H. SHARE-BASED REMUNERATION

(I) TERMS AND CONDITIONS OF SHARE-BASED REMUNERATION

HT&E shares were issued to Executive KMP as part of their remuneration at the end of 2017 for the satisfaction of the 2015 LTI plan (as described above) via shares that had been previously acquired on market and held in trust.

Rights to acquire shares have also been issued based on the 2017 TIP outcome, as described above. Executive KMP received a grant of rights under the TIP during 2017 which may vest during 2018. Only limited grants made during 2017 have been awarded. A summary of the 2017 grant is presented below:

Name	Grant date(1)	Vesting date	Number of rights granted	Value per right at grant date $
Ciaran Davis	10 April 2017	1 January 2019	66,255	2.58
Jeff Howard	10 April 2017	1 January 2019	41,410	2.58
Tony Kendall	10 April 2017	1 January 2019	8,913	2.58
Yvette Lamont	10 April 2017	1 January 2019	14,017	2.58
Rob Atkinson	10 April 2017	1 January 2019	17,638	2.58
Mike Tyquin	10 April 2017	1 January 2019	57,260	2.58

(1) The date on which the fair value of the TIP rights were calculated, being the deemed grant date of the rights for accounting purposes. An actual grant of rights will not be made to the CEO & Managing Director until after shareholder approval has been received at the 2018 AGM, and for all other Executive KMP on a date to be determined after this Annual Report has been issued.

The vesting of rights is subject to a one-year service period as set out in the TIP description in section C of this report. Rights carry no voting or dividend rights; if dividends are paid, the number of rights is increased accordingly.

Rights which vest at the end of the one-year service period will convert to ordinary HT&E shares at the vesting date; however, Executive KMP are unable to trade vested shares until the end of the two-year restriction period. Such vesting occurred on 31 December 2017 for KMP who had been awarded TIP rights in 2016 and who met the service and other conditions at that date. The table below shows the number and value of 2016 TIP rights that vested at the end of 2017:

Name	Grant date	Vesting date	Number of rights granted	Value per right at grant date $
Ciaran Davis	31 March 2016	1 January 2018	209,073	3.24
Jeff Howard	20 April 2016	1 January 2018	139,408	3.14
Tony Kendall	20 April 2016	1 January 2018	31,460	3.14
Yvette Lamont	20 April 2016	1 January 2018	52,268	3.14
Neil Monaghan	20 April 2016	1 January 2018	18,505	3.14

There are no rights to deferred share options or deferred shares.

Remuneration Report

(II) RECONCILIATION OF RIGHTS

The table below shows a reconciliation of the number of rights held by each Executive KMP from the beginning to the end of the 2017 financial year:

Name	Balance at start of the year	Granted	Exercised	Forfeited	Other changes	Balance at end of the year: Total	Balance at end of the year: Vested and exercisable at end of the year	Balance at end of the year: Unvested
Ciaran Davis[1]	356,140	66,255	(22,138)	(31,231)	45,490	414,516	348,261	66,255
Jeff Howard	214,010	41,410	(22,138)	(13,116)	20,552	240,718	199,308	41,410
Tony Kendall	31,460	8,913	–	–	883	41,256	32,343	8,913
Yvette Lamont	98,313	14,017	(11,069)	(8,744)	12,560	105,077	91,060	14,017
Neil Monaghan	73,294	–	(11,069)	(10,930)	14,385	65,680	65,680	–
Rob Atkinson	–	17,638	–	–	–	17,638	–	17,638
Mike Tyquin	–	57,260	–	–	–	57,260	–	57,260
Total	773,217	205,493	(66,414)	(64,021)	93,870	942,145	736,652	205,493

(1) An actual grant of rights will not be made to the CEO & Managing Director until after shareholder approval has been received at the Annual General Meeting.

I. DIRECTOR AND EXECUTIVE KMP SHAREHOLDINGS

The number of shares in the Company held by each Non-executive Director and Executive KMP during the year including their related parties is summarised below:

	Balance at start of the year	Change	Balance at end of the year
Non-executive Directors			
Peter Cosgrove	102,505	52,876	155,381
Paul Connolly	65,935	–	65,935
Peter Cullinane	11,286	20,000	31,286
Christine Holman	26,375	30,869	57,244
Anne Templeman-Jones	10,116	–	10,116
Executive KMP			
Ciaran Davis	20,573	51,300	71,873
Jeff Howard	67,646	36,420	104,066
Tony Kendall	–	–	–
Yvette Lamont	17,143	6,940	24,083
Rob Atkinson	–	–	–
Mike Tyquin[1]	–	–	–

(1) Mike Tyquin became an Executive KMP on 3 April 2017. The balance at the start of the year in the table above is the number of shares held at that date.

Remuneration Report

J. OTHER STATUTORY DISCLOSURES

(I) LOANS GIVEN TO NON-EXECUTIVE DIRECTORS AND EXECUTIVE KMP

There are no loans with the Non-executive Directors or Executive KMP.

(II) SECURITIES TRADING POLICY AND GUIDELINES

The Company's Securities Trading Policy and Guidelines is outlined in the Corporate Governance Statement, which can be found on the Company website. Under the policy, restricted persons, which includes KMP, are not permitted to hedge any options, rights or similar instruments prior to them becoming vested or otherwise tradable under the applicable plan.

(III) VOTING AND COMMENTS MADE AT THE COMPANY'S 2017 AGM

The Company received more than 93% of 'yes' votes on its remuneration report for the 2016 financial year. No major remuneration related concerns were raised which required the Company's attention during the 2017 financial year.

(IV) EXTERNAL REMUNERATION CONSULTANTS

During 2017, HT&E made use of external remuneration consultants. No recommendations in relation to KMP remuneration were provided during 2017.

All advice from remuneration consultants is carefully considered by the Remuneration Committee. The Committee is satisfied that all advice received from remuneration consultants has been given free of undue influence by KMP.

(V) RELATED PARTY DISCLOSURES

During 2017, HT&E entered into an arrangement with MediaCap Fund No. 1 Trust (Trust) to potentially provide advertising inventory to the Trust in return for equity investment in as-yet-to-be identified start-up, high growth organisations. The objective of the Trust is to source remnant advertising inventory from media operators, provide this inventory via equity investment to organisations that might be otherwise unable to pay for advertising to facilitate their growth, and then monetise the investment over time as those organisations grow. HT&E intends to participate in this opportunity if advertising inventory is available and suitable investments can be identified that have a strong possibility of deriving value for shareholders and adequate return on investment.

The Trust and MediaCap Pty Limited (Trustee) are related parties of HT&E under the *Corporations Act 2001* as Peter Cosgrove is Chairman of the Board of HT&E as well as on the Investment Committee of the Trust, and is a shareholder of the Trustee. During the year, it was established Mr Cosgrove and his close family members controlled MediaCap Pty Limited. As at the date of this report, Mr Cosgrove and his close family members own 30.2% of the shares of MediaCap Pty Limited and hold one of four positions on its Board of Directors.

During the year, an establishment fee of $48,000 was paid to the Trustee by HT&E, upon execution of a subscription agreement with the Trust. There were no other transactions between HT&E and Media Cap during the year and HT&E's investment in MediaCap is not material at that date. There are no balances outstanding at balance date.

Auditor's Independence Declaration

As lead auditor for the audit of HT&E Limited for the year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of HT&E Limited and the entities it controlled during the period.

MK Graham
Partner
PricewaterhouseCoopers

Sydney
15 February 2018

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Consolidated Financial Statements

ABOUT THE FINANCIAL STATEMENTS

The financial statements are for the consolidated entity consisting of HT&E Limited ('Company') and its controlled entities (collectively the 'Group'). The Company is a for profit company limited by ordinary shares, incorporated and domiciled in Australia. The ordinary shares are publicly traded on the Australian Securities Exchange (ASX). The Company was delisted from the NZX Main Board on 21 February 2017.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 15 February 2018. The Directors have the power to amend and reissue the financial statements.

BASIS OF PREPARATION

This general purpose financial report has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).

All new and amended Australian Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period have been adopted. Refer to note 6.5 for further details.

The financial report is presented in Australian dollars which is the Company's functional and presentation currency.

It has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) and certain classes of property, plant and equipment.

The Company presents reclassified comparative information, where required, for consistency with the current year's presentation.

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191,* issued by the Australian Securities and Investments Commission, relating to the rounding off of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

KEY JUDGEMENTS AND ESTIMATES

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next and subsequent years can be found in the following notes:

Note 2.1 Intangible assets;

Note 4.1 Income tax and deferred tax; and

Note 5.1 Business combinations.

SIGNIFICANT EVENTS IN THE CURRENT REPORTING PERIOD

During the current financial year, the financial position and performance of the Group were particularly affected by the following events and transactions:

Acquisition of Adshel

On 25 October 2016, the Company moved to full ownership of Adshel Street Furniture Pty Limited and Adshel New Zealand Limited, through acquisition of the remaining 50% interest in the Adshel joint venture via the acquisition of Australian Outdoor Pty Limited for $268.4 million. Prior to October 2016, the Adshel joint venture was accounted for as an associate. The results of 2017 reflect the Group's full ownership of Adshel.

Acquisition of Conversant Media

On 31 October 2016, the Company acquired 100% of Conversant Media for upfront cash of $11.6 million, with the results of 2017 inclusive of Conversant Media.

Consolidated Financial Statements

Yarra Trams contract

On 3 October 2017, it was announced that Adshel would not continue as the preferred supplier for the Yarra Trams contract. The company had previously held the contract for six years. The results of 2017, the expected results for 2018 and capital expenditure expectations have been impacted by this.

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 $'000	2016 $'000
Revenue from continuing operations	1.1	**472,316**	298,603
Other revenue and income	1.1	**7,593**	231,056
Total revenue and other income		**479,909**	529,659
Expenses from continuing operations before finance costs, depreciation and amortisation	1.2	**(358,038)**	(230,032)
Impairment of intangible assets	2.1	**(163,340)**	–
Finance costs	1.2	**(9,172)**	(18,419)
Depreciation and amortisation	1.2	**(39,271)**	(8,535)
Share of profits of associates	5.5	**1,252**	9,305
Profit/(loss) before income tax		**(88,660)**	281,978
Income tax expense	4.1	**(22,271)**	(30,301)
Profit/(loss) from continuing operations		**(110,931)**	251,677
Loss from discontinued operations	6.1	**–**	(251,140)
Profit/(loss) for the year		**(110,931)**	537
Profit/(loss) for the year is attributable to:			
Owners of the parent entity		**(117,486)**	(6,018)
Non-controlling interests		**6,555**	6,555
Profit/(loss) for the year		**(110,931)**	537

	Note	Cents	Cents
Earnings per share from continuing operations			
Basic earnings per share	1.4	**(38.2)**	122.6
Diluted earnings per share	1.4	**(38.2)**	122.3
Earnings per share from continuing and discontinued operations			
Basic earnings per share	1.4	**(38.2)**	(3.0)
Diluted earnings per share	1.4	**(38.2)**	(3.0)

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 $'000	2016 $'000
Profit/(loss) for the year		**(110,931)**	537
Items that may be reclassified to profit or loss			
Net exchange difference on translation of foreign operations	3.7	**(5,536)**	4,901
Share of associates' other comprehensive income	3.7	**–**	1,223
Net gain/(loss) on fair value hedges	3.7	**2**	(350)
Disposal of reserves on sale of Australian Regional Media (ARM)	3.7	**–**	(1,022)
Reclassification of foreign currency translation reserves to profit or loss on demerger of NZME	3.7	**–**	60,190
Other comprehensive income, net of tax		**(5,534)**	64,942
Total comprehensive income		**(116,465)**	65,479
Total comprehensive income is attributable to:			
Owners of the parent entity		**(123,020)**	58,924
Non-controlling interests		**6,555**	6,555
		(116,465)	65,479
Total comprehensive income attributable to owners of the parent entity arises from:			
Continuing operations		**(123,020)**	244,583
Discontinued operations		**–**	(185,659)
		(123,020)	58,924

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

AS AT 31 DECEMBER 2017

	Note	2017 $'000	2016[1] $'000	1 Jan 2016[2] $'000
Current assets				
Cash and cash equivalents	3.2	**18,773**	20,223	*21,721*
Receivables	2.3	**88,909**	86,283	*127,220*
Inventories		**2,343**	2,185	*6,288*
Income tax receivable		**–**	1,007	*31*
Other current assets		**9,332**	13,779	*6,796*
Total current assets		**119,357**	123,477	*162,056*
Non-current assets				
Shares in other corporations	5.4	**33,279**	31,527	*32,077*
Investments accounted for using the equity method	5.5	**18,696**	12,257	*53,811*
Property, plant and equipment	2.2	**84,098**	93,822	*136,777*
Intangible assets	2.1	**769,235**	950,800	*732,245*
Deferred tax assets	4.1	**–**	–	*37,361*
Other non-current assets		**2,937**	840	*–*
Total non-current assets		**908,245**	1,089,246	*992,271*
Total assets		**1,027,602**	1,212,723	*1,154,327*
Current liabilities				
Payables		**63,898**	88,778	*115,861*
Interest bearing liabilities	3.1	**–**	–	*1,177*
Current tax liabilities		**20,218**	6,544	*1,509*
Retirement benefit liability		**–**	1,289	*–*
Provisions	2.4	**14,021**	17,499	*25,631*
Total current liabilities		**98,137**	114,110	*144,178*
Non-current liabilities				
Payables		**2,632**	3,411	*19,888*
Interest bearing liabilities	3.1	**133,077**	161,309	*470,236*
Derivative liabilities		**778**	780	*280*
Retirement benefit liability		**–**	–	*1,374*
Provisions	2.4	**19,700**	16,280	*6,435*
Deferred tax liabilities	4.1	**150,599**	154,365	*124,408*
Total non-current liabilities		**306,786**	336,145	*622,621*
Total liabilities		**404,923**	450,255	*766,799*
Net assets		**622,679**	762,468	*387,528*
Equity				
Contributed equity	3.5	**1,531,567**	1,528,022	*1,222,780*
Reserves	3.7	**(50,712)**	(45,347)	*(137,102)*
Accumulated losses	3.7	**(895,095)**	(756,085)	*(733,330)*
Total parent entity interest		**585,760**	726,590	*352,348*
Non-controlling interests		**36,919**	35,878	*35,180*
Total equity		**622,679**	762,468	*387,528*

(1) Comparatives have been updated for revisions made to provisional accounting balances of Adshel and Conversant Media in the period (refer to note 5.1) as well as a change in accounting policy (refer to note 4.1).

(2) Comparatives have been updated for a change in accounting policy (refer to note 4.1).

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**516,421**	753,867
Payments to suppliers and employees (inclusive of GST)		**(426,195)**	(678,807)
Dividends received		**4,150**	3,872
Interest received		**213**	359
Interest paid		**(9,075)**	(20,079)
Income taxes paid		**(10,360)**	(23,313)
Net cash inflows from operating activities	3.2	**75,154**	35,899
Cash flows from investing activities			
Payments for property, plant and equipment		**(11,584)**	(12,080)
Payments for software		**(3,922)**	(2,828)
Payments for other intangible assets		**(1,849)**	(3,869)
Proceeds from sale of property, plant and equipment		**25**	806
Acquisition of controlled entities		**–**	(266,286)
Cash transferred on demerger of NZME		**–**	(13,223)
Investment in associates		**(3,687)**	–
Net (payments)/proceeds from sale of businesses		**(878)**	37,018
Loan to associate		**(700)**	–
Net loans repaid by other entities		**812**	823
Dividends received from associates		**–**	1,329
Net cash outflows from investing activities		**(21,783)**	(258,310)
Cash flows from financing activities			
Proceeds from borrowings		**81,506**	396,554
Repayments of borrowings		**(110,416)**	(708,310)
Principal repayments under finance leases		**–**	(11,297)
Payments for borrowing costs		**–**	(138)
Payments for treasury shares	3.7	**(1,779)**	–
Dividends paid to shareholders	3.8	**(17,978)**	–
Net proceeds from share issues	3.5	**–**	442,704
Debt transferred to NZME		**–**	106,879
Net payments to non-controlling interests		**(5,514)**	(5,726)
Net cash (outflows)/inflows from financing activities		**(54,181)**	220,666
Change in cash and cash equivalents		**(810)**	(1,745)
Cash and cash equivalents at beginning of the year		**20,223**	21,721
Effect of exchange rate changes		**(640)**	247
Cash and cash equivalents at end of the year	3.2	**18,773**	20,223

The above Consolidated Statement of Cash Flows includes cash flows from continuing and discontinued operations and should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2016		1,222,780	(137,102)	(659,333)	**426,345**	35,180	**461,525**
Change in accounting policy	4.1	–	–	(73,997)	**(73,997)**	–	**(73,997)**
Restated total equity at the beginning of the period		1,222,780	(137,102)	(733,330)	**352,348**	35,180	**387,528**
Profit/(loss) for the period		–	–	(6,018)	**(6,018)**	6,555	**537**
Other comprehensive income		–	64,942	–	**64,942**	–	**64,942**
Contributions of equity	3.5	446,372	–	–	**446,372**	–	**446,372**
Share-based payments expense	3.7	–	(67)	–	**(67)**	–	**(67)**
Transfers within equity	3.7	–	16,737	(16,737)	**–**	–	**–**
Demerger of NZME	6.1	(141,130)	–	–	**(141,130)**	–	**(141,130)**
Sale of ARM		–	–	–	**–**	(131)	**(131)**
Transactions with non-controlling interests	3.7	–	10,143	–	**10,143**	(5,726)	**4,417**
Balance at 31 December 2016		1,528,022	(45,347)	(756,085)	**726,590**	35,878	**762,468**
Balance at 1 January 2017		1,528,022	(45,347)	(682,088)	**800,587**	35,878	**836,465**
Change in accounting policy	4.1	–	–	(73,997)	**(73,997)**	–	**(73,997)**
Restated total equity at beginning of the period 1 January 2017		1,528,022	(45,347)	(756,085)	**726,590**	35,878	**762,468**
Profit/(loss) for the period		–	–	(117,486)	**(117,486)**	6,555	**(110,931)**
Other comprehensive income		–	(5,534)	–	**(5,534)**	–	**(5,534)**
Share-based payments expense	3.7	–	1,948	–	**1,948**	–	**1,948**
Dividends provided for or paid	3.8	–	–	(21,524)	**(21,524)**	–	**(21,524)**
Shares issued under dividend reinvestment plan	3.5	3,545	–	–	**3,545**	–	**3,545**
Acquisition of treasury shares	3.7	–	(1,779)	–	**(1,779)**	–	**(1,779)**
Transactions with non-controlling interests		–	–	–	**–**	(5,514)	**(5,514)**
Balance at 31 December 2017		1,531,567	(50,712)	(895,095)	**585,760**	36,919	**622,679**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1 GROUP PERFORMANCE

1.1 REVENUES

	Note	2017 $'000	2016 $'000
Revenue and other income			
From continuing operations			
Advertising revenue		**422,310**	283,332
Services revenue		**27,996**	10,416
Other revenue		**22,010**	4,855
Revenue from continuing operations		**472,316**	298,603
Dividends received		**4,150**	3,800
Rent received		**427**	337
Gains on financial assets held at fair value through profit or loss		**2,803**	3,009
Gains on disposal of properties and businesses	1.3	**–**	419
Gain on acquisition of Adshel		**–**	223,086
Other		**–**	29
Other income		**7,380**	230,680
Interest income		**213**	376
Finance income		**213**	376
Total other revenue and income		**7,593**	231,056
Total revenue and other income		**479,909**	529,659
From discontinued operations			
Total revenue and other income	6.1	**–**	361,044

Notes to the Consolidated Financial Statements

1.1 REVENUES (CONTINUED)

ACCOUNTING POLICY

Revenue is measured at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, rebates and taxes paid.

The Group recognises revenue when:

- the amount of revenue can be reliably measured;
- it is probable that the economic benefits will flow to the Group; and
- the criteria for revenue recognition has been satisfied.

Advertising revenue is recognised when the advertisement is published or broadcast, when the coupon is sold, or over the period the advertisement is displayed.

Services revenue is recognised by reference to the stage of completion of the transaction, when it can be measured reliably. Services revenue includes production and installation of advertising materials.

Other revenue includes sponsorship, royalties, sale of street furniture, and cleaning and maintenance revenue.

The IASB has issued *IFRS 15 Revenue from Contracts with Customers*, a new standard for the recognition of revenue, replacing *IAS 18 Revenue* which covers contracts for goods and services. It applies to annual reporting periods commencing on or after 1 January 2018. The AASB has issued an equivalent standard based on the principle that revenue is recognised when control of a good or service transfers to a customer – the notion of control replaces the existing notion of risks and rewards. Multiple performance obligations in a customer contract are required to be identified and a transaction price to be allocated to each performance obligation. The Group is performing an assessment on existing revenue streams and will work towards finalising this assessment in the lead up to adoption of the new standard.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the modified retrospective approach; the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and comparatives will not be restated.

Notes to the Consolidated Financial Statements

1.2 EXPENSES

	Note	2017 $'000	2016 $'000
From continuing operations			
Employee benefits expense		**136,985**	100,817
Production and distribution expense		**23,484**	19,613
Selling and marketing expense		**66,870**	45,955
Rental and occupancy expense		**108,385**	41,422
Repairs and maintenance costs		**1,900**	2,051
Travel and entertainment costs		**5,131**	3,744
Onerous contract and other costs		**907**	4,208
Acquisition costs		**–**	3,373
Other expenses		**14,376**	8,849
Total expenses before finance costs, depreciation and amortisation		**358,038**	230,032
Interest and finance charges		**8,118**	17,048
Borrowing costs amortisation		**1,054**	1,371
Total finance costs		**9,172**	18,419
Depreciation		**23,238**	7,429
Amortisation[1]		**16,033**	1,106
Total depreciation and amortisation		**39,271**	8,535
Rental expense relating to operating leases			
Property		**9,974**	8,075
Outdoor site rentals			
Minimum lease payments		**72,459**	30,601
Contingent rentals		**21,540**	7,672
Other		**246**	275
From discontinued operations			
Total expenses	6.1	**–**	544,747

(1) $14.9 million of this balance represents fourteen months of amortisation of Adshel and Conversant Media intangibles recognised on finalisation of acquisition.

Notes to the Consolidated Financial Statements

1.3 SEGMENT INFORMATION

(I) DESCRIPTION OF SEGMENTS

The Group has identified its operating segments based on the internal reports reviewed by the Board of Directors and the senior management team in assessing performance and determining the allocation of resources. There are four reportable segments as follows:

Reportable segment	Principal activities
Australian Radio Network	Metropolitan radio networks (Australia)
Adshel	Street furniture, transit and other outdoor advertising (Australia and New Zealand)
HK Outdoor	Billboard, transit and other outdoor advertising (Hong Kong)
Digital investments	Includes controlling interests in Conversant Media and Emotive and equity accounted investments in Soprano Design Pty Limited, HT&E Events Pty Limited and Unbnd Group Pty Ltd.

The Directors and senior management team assess the performance of the operating segments based on a measure of earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations which excludes the effects of exceptional items such as gains or losses on disposals of businesses and restructuring related costs.

In 2017, a new operating segment was created for all other investments and new ventures of the Group, reflecting a change to internal reporting provided to the Board of Directors and senior management team. Businesses in this segment include; Conversant Media, Emotive and Soprano. Emotive was reclassified out of the Australian Radio Network segment while Conversant Media and Soprano were reclassified to Digital investments. Comparatives have been restated to reflect this change.

(II) RESULTS BY OPERATING SEGMENT

The segment information provided to the Directors and senior management team for the year ended 31 December 2017 is as follows:

2017 $'000	Australian Radio Network	Adshel	HK Outdoor	Digital investments	Corporate	Group elimination	Total
Revenue from external customers	218,695	221,281	25,161	11,375	–	(4,196)	**472,316**
Share of profits of associates	–	–	–	1,252	–	–	**1,252**
Segment result	83,073	51,473	(1,761)	1,458	(15,849)	–	**118,394**
Segment assets	508,043	457,530	15,171	36,982	9,876	–	**1,027,602**
Segment liabilities	24,063	60,402	7,950	4,799	307,709	–	**404,923**
Reconciliation of segment result to profit before income tax from continuing operations							
Segment result							**118,394**
Depreciation and amortisation[A]							**(39,271)**
Impairment of intangible assets[B]							**(163,340)**
Net finance costs							**(8,959)**
Licence fee relief[C]							**5,423**
Other costs[D]							**(907)**
Profit before income tax from continuing operations							**(88,660)**

Explanation of statutory adjustments

(A) Consists of depreciation of $23.2 million (including $0.8 million exceptional item for prior year makegood depreciation) and amortisation of $16 million. Refer to note 1.2.

(B) Impairment of Adshel Australia goodwill of $160.7 million and license and relationships $2.6 million. Refer to note 2.1.

(C) One off benefit from the retrospective application of Australian Communications and Media Authority (ACMA) licence fee relief for the prior period announced by the Australian Government in June 2017. This is included in other expenses in note 1.2.

(D) Refers mainly to restructuring costs associated with the Australian Radio Network division.

Notes to the Consolidated Financial Statements

1.3 SEGMENT INFORMATION (CONTINUED)

(II) RESULTS BY OPERATING SEGMENT (CONTINUED)

2016 $'000	Australian Radio Network	Adshel[1]	HK Outdoor	Digital investments	Corporate	Group elimination	Total
Revenue from external customers	220,089	45,535	27,127	7,578	–	(1,726)	**298,603**
Share of profits of associates	–	7,517	–	1,788	–	–	**9,305**
Segment result	85,436	19,997	(1,304)	2,648	(15,847)	–	**90,930**
Segment assets	506,707	656,706	15,024	29,736	4,550	–	**1,212,723**
Segment liabilities	29,327	70,157	12,348	3,080	335,343	–	**450,255**
Reconciliation of segment result to profit before income tax from continuing operations							
Segment result							**90,930**
Depreciation and amortisation[A]							**(8,535)**
Net finance costs[B]							**(18,043)**
Gain on acquisition of Adshel[C]							**223,086**
Gains on disposal of properties and businesses[D]							**419**
Licence fee relief[E]							**1,702**
Onerous contract and other costs[F]							**(4,208)**
Acquisition costs[G]							**(3,373)**
Profit before income tax from continuing operations							**281,978**

(1) On 25 October 2016, the Company moved to full ownership of Adshel with the Group incorporating assets, liabilities and results from this date. Prior to 25 October 2016, Adshel was accounted for as an associate using the equity method. Refer to note 5.1 for further details.

Explanation of statutory adjustments

(A) Consists of depreciation of $7.4 million and amortisation of $1.1 million. Refer to note 1.2.

(B) Net finance costs for the Company totalled $18 million for the period ended 31 December 2016 under the Group multi-currency syndicated debt facility. These costs include net finance charges of $4.2 million for the period prior to the demerger of NZME, relating to borrowings of Wilson & Horton Limited, denominated in New Zealand dollars. Remaining finance costs of $13.8 million include one off finance charges related to the acquisition of Adshel of $0.4 million as well as interest charges on Australian dollar and Hong Kong dollar denominated borrowings, unamortised borrowing costs and commitment fees on the total facility.

(C) Gain on acquisition of Adshel refers to the $222.1 million gain recognised as a result of remeasuring to fair value the existing equity interest held in Adshel Street Furniture Pty Limited before the business combination, as well as other gains of $1.0 million. Refer to note 5.1 for further details.

(D) Relates to the disposal of the Company's 25% interest in Redcoal Pty Ltd.

(E) One off benefit from the retrospective application of ACMA licence fee reductions announced by the Australian Government in June 17. This is included in other expenses in the note 1.2.

(F) Onerous contract and other costs relate predominantly to an additional provision recognised for the onerous elements of the Buzplay bus advertising contract in Hong Kong and adjustments relating to prior years for one of the Group's associates.

(G) Acquisition costs are the costs associated with the acquisition of Adshel and Conversant Media. Refer to note 5.1 for further details.

Notes to the Consolidated Financial Statements

1.3 SEGMENT INFORMATION (CONTINUED)

ACCOUNTING POLICY

Segment revenues and expenses comprise amounts that are directly attributable to a segment and the relevant portion that can be allocated on a reasonable basis. Corporate overheads, including centralised finance, legal and administrative costs, are not allocated against operating segments but rather are included above as unallocated amounts.

Segment revenues and results exclude transfers between segments. Such transfers are priced on an arm's length basis and are eliminated on consolidation.

(III) OTHER SEGMENT INFORMATION

The Group is domiciled in Australia and operates predominantly in Australia, New Zealand and Asia. Revenue from external customers in Australia is $411.2 million (2016: $264.6 million), in New Zealand is $35.9 million (2016: $6.9 million) and in Asia is $25.2 million (2016: $27.1 million). Segment revenues are allocated based on the country in which the customer is located.

The total of non-current assets located in Australia is $733.0 million (2016: $909.6 million), in New Zealand is $170.3 million (2016: $177.1 million) and in Asia is $4.9 million (2016: $2.5 million). Segment assets are allocated to countries based on where the assets are located.

Notes to the Consolidated Financial Statements

1.4 EARNINGS PER SHARE

	2017 $'000	2016 $'000
a Reconciliation of earnings used in calculating earnings per share (EPS)		
Profit/(loss) from continuing operations attributable to owners of the parent entity	**(117,486)**	245,165
Loss from discontinued operations attributable to owners of the parent entity	**–**	(251,183)
Loss attributable to owners of the parent entity used in calculating basic/diluted EPS	**(117,486)**	(6,018)

	Number	Number
b Weighted average number of shares		
Weighted average number of shares used as the denominator in calculating basic EPS	**307,696,348**	200,039,379
Adjusted for calculation of diluted EPS		
Unvested rights	**243,573**	405,354
Weighted average number of shares used as the denominator in calculating diluted EPS	**307,939,921**	200,444,733

ACCOUNTING POLICY

Basic earnings per share

Basic earnings per share is determined by dividing:

- the net profit or loss attributable to owners of the Company; by
- the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account:

- the after-tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Notes to the Consolidated Financial Statements

2 OPERATING ASSETS AND LIABILITIES

2.1 INTANGIBLE ASSETS

2016 $'000	Goodwill	Software	Radio licences	Brands	Licences and relationships	Mastheads	Total
Cost	437,588	4,391	376,485	6,712	132,236	–	**957,412**
Accumulated amortisation and impairment	–	(4,133)	(2,479)	–	–	–	**(6,612)**
Net book amount	**437,588**	**258**	**374,006**	**6,712**	**132,236**	**–**	**950,800**
Movements							
Opening net book amount	111,016	11,282	417,001	55,327	–	137,619	**732,245**
Additions	–	2,916	39	1	–	–	**2,956**
Acquisitions of controlled entities[1]	392,790	375	–	6,701	132,236	–	**532,102**
Disposals	–	(18)	–	–	–	–	**(18)**
Amortisation	–	(2,568)	(2,242)	–	–	–	**(4,810)**
Demerger of NZME[2]	(67,799)	(9,945)	(41,709)	(56,589)	–	(140,782)	**(316,824)**
ARM sale	–	(2,035)	–	–	–	–	**(2,035)**
Foreign exchange differences	1,581	251	917	1,272	–	3,163	**7,184**
Closing net book amount	**437,588**	**258**	**374,006**	**6,712**	**132,236**	**–**	**950,800**

(1) Comparatives have been updated for revisions made to provisional accounting balances of Adshel and Conversant Media in the period (refer to note 5.1) as well as a change in accounting policy (refer to note 4.1).

(2) Refer to note 6.1 for further details.

2017 $'000	Goodwill	Software	Radio licences	Brands	Licences and relationships	Mastheads	Total
Cost	434,502	8,219	375,284	6,698	130,325	–	955,028
Accumulated amortisation and impairment	(160,706)	(4,406)	(3,114)	(2,075)	(15,492)	–	(185,793)
Net book amount	**273,796**	**3,813**	**372,170**	**4,623**	**114,833**	**–**	**769,235**
Movements							
Opening net book amount	437,588	258	374,006	6,712	132,236	–	950,800
Additions	–	4,024	–	11	–	–	4,035
Disposals	–	–	(1,200)	–	–	–	(1,200)
Impairment	(160,706)	–	–	–	(2,634)	–	(163,340)
Amortisation	–	(363)	(636)	(2,080)	(12,954)	–	(16,033)
Foreign exchange differences	(3,086)	(106)	–	(20)	(1,815)	–	(5,027)
Closing net book amount	**273,796**	**3,813**	**372,170**	**4,623**	**114,833**	**–**	**769,235**

Notes to the Consolidated Financial Statements

2.1 INTANGIBLE ASSETS (CONTINUED)

The following is a reconciliation of the carrying amount of reported goodwill at the beginning of the reporting period to the revised amounts reported:

	1 Jan 2017 $'000
Cost	24,610
Accumulated amortisation and impairment	–
Net book value at 1 January 2017	**24,610**
Net book value at the beginning of the period	24,610
Recognition of intangibles on business combination[1]	392,790
Change in accounting policy[2]	20,188
Revised net book value at 1 January 2017	**437,588**
Cost	437,588
Accumulated impairment	–
Revised net book value at 1 January 2017	**437,588**

(1) Provisional intangibles balance recognised in the prior period was $481.0 million. This amount less adjustments related to the purchase price accounting was allocated to goodwill during the period. Refer to note 5.1 for further details

(2) This reflects the impact of the change in accounting policy related to the recent IFRS Interpretations Committee (IFRIC) agenda decision. Refer to note 4.1 for further details.

Notes to the Consolidated Financial Statements

2.1 INTANGIBLE ASSETS (CONTINUED)

ACCOUNTING POLICY

Summary of goodwill and other intangible assets

Asset	Useful life	Amortisation method	Internally generated or acquired
Goodwill	Indefinite	No amortisation	Acquired
Software	3-5 years	Straight line basis	Internally generated and acquired
Radio licences (commercial) – Australia	Indefinite	No amortisation	Acquired
Radio licence (digital) – Australia	11 years	Straight line basis	Acquired
Brands – Adshel and Conversant Media	3-10 years	Straight line basis	Acquired
Brands – Other	Indefinite	No amortisation	Acquired
Licences and relationships	10–15 years	Straight line basis	Acquired

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill is not amortised but rather is subject to periodic impairment testing as described below.

Software

Costs incurred in developing systems and acquiring software and licences are capitalised to software. Costs capitalised include materials, services, payroll and payroll related costs of employees involved in development. Amortisation is calculated on a straight line basis over the useful life of the asset.

Radio Licences – Australia

Commercial radio licences are accounted for as identifiable assets and are brought to account at cost. The Directors believe the licences have indefinite lives and accordingly, no amortisation has been provided against the carrying amount. The commercial radio licences held by the Group are renewable every five years under the provisions of the *Broadcasting Services Act 1992* and the Directors have no reason to believe that the licences will not be renewed from time to time for the maximum period allowable under the Act and without imposition of any conditions.

The digital radio licence is accounted for as an identifiable asset and is brought to account at cost. The licence is amortised over the term of the contract on a straight line basis.

Brands

Brands are accounted for as identifiable assets and are brought to account at cost. The Directors have considered the geographic location, legal, technical and other commercial factors likely to impact the assets' useful lives and consider that they have indefinite lives. Accordingly, no amortisation has been provided against the carrying amount for brands outside of Adshel and Conversant Media.

Licences and relationships

Licences and relationships represent future income streams attributable to site licences and associated relationships. They are accounted for as identifiable assets and carried at cost less accumulated amortisation and any accumulated impairment loss. They are amortised on a straight line basis.

Notes to the Consolidated Financial Statements

2.1 INTANGIBLE ASSETS (CONTINUED)

YEAR END IMPAIRMENT REVIEW

KEY JUDGEMENTS AND ESTIMATES

The Group annually tests whether goodwill and other non-amortising intangible assets have suffered any impairment, in accordance with the accounting policy stated above. The recoverable amounts of cash generating units have been determined based on the higher of fair value less costs to sell, or value in use calculations. These calculations require the use of assumptions. Refer below for details of these assumptions and the potential impact of changes to these assumptions.

ALLOCATION OF GOODWILL AND OTHER NON-AMORTISING INTANGIBLE ASSETS TO CASH GENERATING UNITS (CGUS)

Name of CGU	2017 $'000 Goodwill	2017 $'000 Other non-amortising intangibles	2016 $'000 Goodwill	2016 $'000 Other non-amortising intangibles
Australian Radio	**41,197**	**367,451**	41,197	367,451
Outdoor – Hong Kong	**2,917**	**–**	3,111	–
Conversant Media[1]	**10,297**	**–**	10,297	8
Adshel – Australia[1]	**127,424**	**–**	288,130	–
Adshel – New Zealand[1]	**91,471**	**–**	94,363	–
Emotive	**490**	**–**	490	–
Total goodwill and other non-amortising intangible assets	**273,796**	**367,451**	437,588	367,459

(1) The purchase price accounting for the Adshel and Conversant Media business combinations have been finalised in 2017.

(I) YEAR-END IMPAIRMENT REVIEW OF CGUS INCLUDING INDEFINITE LIFE INTANGIBLE ASSETS

A comprehensive impairment review was conducted at 31 December 2017. The recoverable amount of each CGU that includes goodwill or indefinite life intangible assets was reviewed.

Australian Radio, Outdoor – Hong Kong and Conversant Media

The recoverable amount of the Australian Radio, Outdoor – Hong Kong and Conversant Media CGUs were based on value in use calculations, using management budgets and forecasts for a three-year period after adjusting for central overheads.

The key assumptions used to calculate the recoverable amount are:

(i) Cash flows

Year 1 cash flows	Based on Board approved annual budget.
Years 2 and 3 cash flows	Revenue forecasts are prepared based on management's current assessment for each CGU, with consideration given to internal information and relevant external industry data and analysis. In general: • Digital revenues are forecast to grow at rates in line with industry trends and independent forecasts;

Notes to the Consolidated Financial Statements

- Market growth in HK Outdoor CGU is forecast across the period. The revenue forecast assumes HK Outdoor CGU will reclaim lost share through investment in sales and marketing capabilities and key site contracts.
- Market growth in the Radio CGU is forecast across the cash flow period. The revenue forecast assumes the Radio CGU will gain additional market share or reclaim lost market share through continued investment in content, marketing and operations; and
- Expenses are forecast on a detailed basis, based on their nature. Variable costs are forecast to move in line with revenue movements. Personnel costs are forecast to move in line with headcount and adjusted for expected inflation. Other costs are forecast based on management expectations, taking into account existing contractual arrangements.

Beyond 3 year cash flows	Cash flows beyond three years are extrapolated at growth rates not exceeding the long-term average growth rate for the industry in which the CGU operates.

(ii) Discount rate and long-term growth rate

The discount rates used reflect specific risks relating to the relevant segments and the countries in which they operate.

Name of CGU	2017 Post-tax discount rate per annum	2017 Long-term growth rate per annum	2016 Post-tax discount rate per annum	2016 Long-term growth rate per annum
Australian Radio	**10.0%**	**2.0%**	10.5%	2.0%
Outdoor – Hong Kong	**10.0%**	**2.0%**	10.5%	2.5%
Conversant Media	**10.0%**	**2.0%**	–	–

No impairment was recognised for these CGUs at 31 December 2017.

Adshel – Australia and Adshel – New Zealand

Due to the loss of the Yarra Trams contract, the carrying value of goodwill and licences and relationships of the Adshel Australia cash generating unit were reduced to their recoverable amount through the recognition of an impairment charge of $160.7 million and $2.6 million respectively.

The recoverable amounts of these CGUs were based on independent valuations obtained on a fair value less costs of disposal basis. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used.

The key assumptions used to calculate the recoverable amount are:

(i) Cash flows

Valuations are prepared using a discounted cashflow model based on the FY18 budget and a further five-year forecast.

Growth projections across the forecast period are based on management estimates which draw on a range of internal and external sources and equate to compound Average Growth Rates (CAGR) of 8% and 6.1% for Adshel Australia and New Zealand respectively.

Valuations assume the current portfolio of advertising site licences are retained through the forecast period, with renewal probability factors applied to the terminal year cashflow.

(ii) Discount rate and long-term growth rate

A post tax discount rate of 9% has been used for each valuation based on a weighted average cost of capital calculation specific to the segment and countries in which they operate. A long term growth rate of 3% per annum has been used for each valuation.

Notes to the Consolidated Financial Statements

2.1 INTANGIBLE ASSETS (CONTINUED)

Fair value less cost of disposal calculations using discounted cashflows are highly sensitive to changes in certain key assumptions. For Adshel Australia, the carrying amount is equal to the fair value less cost to of disposal and therefore a change in any of the key assumptions could give rise to further impairment charge.

For Adshel - New Zealand CGU, the recoverable amount exceeds the carrying amount by approximately 7% ($9.8m). The valuation is highly sensitive to changes in assumptions that impact the terminal value, which equates to approximately 60% of the recoverable amount of the CGU. A reduction in the terminal year cashflow of approximately 12% would result in the recoverable amount equalling the carrying amount.

ACCOUNTING POLICY

Impairment

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever there is an indication that they may be impaired. Assets that are subject to amortisation are tested for impairment whenever changes in circumstances indicate that the asset's carrying amount may exceed its recoverable amount. An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the Consolidated Financial Statements

2.2 PROPERTY, PLANT AND EQUIPMENT

2016 $'000	Freehold land	Buildings	Plant and equipment	Plant and equipment under finance lease	Total
Cost or fair value	1,083	707	237,908	–	**239,698**
Accumulated depreciation and impairment	–	(44)	(159,365)	–	**(159,409)**
Capital works in progress	–	–	13,533	–	**13,533**
Net book amount	**1,083**	**663**	**92,076**	**–**	**93,822**
Movements					
Opening net book amount	2,799	5,287	128,691	–	**136,777**
Additions	–	397	12,099	–	**12,496**
Acquisition of controlled entities	–	–	65,135	9,519	**74,654**
Disposals	(688)	(2)	(114)	–	**(804)**
Depreciation	–	(114)	(18,333)	(306)	**(18,753)**
Impairment[1]	–	–	(13,000)	–	**(13,000)**
Revaluations	–	(1,245)	–	–	**(1,245)**
Demerger of NZME[2]	(1,053)	(132)	(71,440)	–	**(72,625)**
Sale of ARM[2]	–	(3,561)	(22,339)	–	**(25,900)**
Transfers and other adjustments	–	–	9,213	(9,213)	**–**
Foreign exchange differences	25	33	2,164	–	**2,222**
Closing net book amount	**1,083**	**663**	**92,076**	**–**	**93,822**

(1) Refers to the write down of ARM non-current assets to fair value less costs to sell. Refer to note 6.1 for further details.
(2) Refer to note 6.1 for further details.

2017 $'000	Freehold land	Buildings	Plant and equipment	Plant and equipment under finance lease	Total
Cost or fair value	1,083	707	247,032	–	**248,822**
Accumulated depreciation and impairment	–	(82)	(176,788)	–	**(176,870)**
Capital works in progress	–	–	12,146	–	**12,146**
Net book amount	**1,083**	**625**	**82,390**	**–**	**84,098**
Movements					
Opening net book amount	1,083	663	92,076	–	**93,822**
Additions	–	–	11,584	–	**11,584**
Disposals	–	–	(144)	–	**(144)**
Depreciation	–	(38)	(23,200)	–	**(23,238)**
Transfers and other adjustments	–	–	3,298	–	**3,298**
Foreign exchange differences	–	–	(1,224)	–	**(1,224)**
Closing net book amount	**1,083**	**625**	**82,390**	**–**	**84,098**

Notes to the Consolidated Financial Statements

2.2 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

ACCOUNTING POLICY

Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited to revaluation reserves in equity. To the extent that the increase reverses a decrease previously recognised in the income statement, the increase is first recognised in the income statement. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement.

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Finance leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Leased assets held at balance date are amortised over the shorter of the estimated useful life or the lease term.

Depreciation

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Buildings: 50 years
- Street furniture based on contract term
- Digital screens: 7 years
- Plant and equipment: 3-25 years
- Motor vehicles: 4-7 years

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance date. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

Impairment of assets

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Assets that are subject to depreciation (amortisation) are tested for impairment whenever changes in circumstances indicate that the asset's carrying amount may exceed its recoverable amount. An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Assets that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the Consolidated Financial Statements

2.3 RECEIVABLES

	2017 $'000	2016 $'000
Trade receivables	**83,318**	82,410
Provision for doubtful debts	**(781)**	(989)
	82,537	81,421
Other receivables	**6,372**	4,862
Total receivables	**88,909**	86,283
Movements in the provision for doubtful debts are as follows:		
Balance at beginning of the year	**989**	2,896
Provision for doubtful debts expense	**129**	628
NZME demerger and ARM sale[1]	**–**	(1,811)
Acquisition of controlled entities	**–**	58
Receivables written off	**(337)**	(782)
Provision for doubtful debts	**781**	989

(1) Refer to note 6.1 for further details.

Refer below for an analysis of the ageing of the Group's trade receivables net of provision for doubtful debts:

		Past due				
	Current $'000	Less than one month $'000	One to three months $'000	Three to six months $'000	Over six months $'000	Total $'000
2016						
Trade receivables	66,586	11,509	3,410	676	229	**82,410**
Provision for doubtful debts	–	(247)	(197)	(326)	(219)	**(989)**
	66,586	11,262	3,213	350	10	**81,421**
2017						
Trade receivables	64,743	10,871	5,981	1,436	287	**83,318**
Provision for doubtful debts	–	(199)	(234)	(233)	(115)	**(781)**
	64,743	10,672	5,747	1,203	172	**82,537**

As at 31 December 2017, trade receivables of $16.9 million (2016: $13.3 million) were past due but not impaired.

Based on the credit history of the trade receivables, it is expected that these amounts will be received. All other receivables are not past due and not considered impaired.

The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each receivable. The Group does not hold any collateral as security. Refer to note 3.3 for credit risk and note 3.4 for fair value information.

Notes to the Consolidated Financial Statements

2.4 RECEIVABLES (CONTINUED)

ACCOUNTING POLICY

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for doubtful debts. Trade receivables are generally settled within 30 to 45 days and therefore classified as current. Due to their short-term nature, the carrying value represents fair value.

A provision for doubtful debts is recognised when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivable. The amount of loss is recognised in the income statement within other expenses. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other income in the income statement.

Notes to the Consolidated Financial Statements

2.4 PROVISIONS

	2017 $'000	2016 $'000
Current		
Employee benefits	**6,911**	6,404
Onerous contracts	**–**	4,316
Compliance obligations	**6,421**	6,779
Other	**689**	–
Total current provisions	**14,021**	17,499
Non-current		
Employee benefits	**1,111**	1,300
Contingent consideration	**2,300**	800
Compliance obligations	**12,590**	12,590
Other	**3,699**	1,590
Total non-current provisions	**19,700**	16,280

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

2017	Onerous contracts $'000	Contingent consideration $'000	Compliance obligations $'000	Other $'000	Total $'000
Carrying amount at beginning of the year	4,316	800	19,369	1,590	**26,075**
Additional amounts recognised	–	–	–	2,815	**2,815**
Amounts used	(4,033)	–	(358)	–	**(4,391)**
Investments in associates	–	1,500	–	–	**1,500**
Foreign exchange differences	(283)	–	–	(17)	**(300)**
Carrying amount at end of the year	**–**	**2,300**	**19,011**	**4,388**	**25,699**

The contingent consideration provision comprises the fair value of amounts payable on business combinations and investments in associates should certain pre-determined thresholds be met by the acquired businesses.

The compliance obligations provision refers to the fair value of estimated outflows related to compliance with certain government legislation.

Notes to the Consolidated Financial Statements

2.4 PROVISIONS (CONTINUED)

ACCOUNTING POLICY

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and long service leave, in respect of employees' services up to the reporting date expected to be settled wholly within 12 months from the reporting date are measured at the amounts expected to be paid when settled.

Liabilities for annual leave and long service leave not expected to be settled wholly within 12 months after the end of the reporting date are measured as the present value of expected future payments to be made. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds rates with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

Onerous contracts

The onerous contracts provision represents contracts where the expected economic benefit is lower than the cost for which the Group is currently committed under the terms of the contract. The minimal net obligation under the contract is provided for. The provision is calculated as the net of the estimated revenue and the committed cost discounted to present value.

Notes to the Consolidated Financial Statements

3 CAPITAL MANAGEMENT

3.1 INTEREST BEARING LIABILITIES

	Note	2017 $'000	2016 $'000
Non-current interest bearing liabilities			
Bank loans – secured		**133,604**	162,890
		133,604	162,890
Deduct:			
Borrowing costs		**7,401**	7,401
Accumulated amortisation		**(6,874)**	(5,820)
Net borrowing costs		**527**	1,581
Total non-current interest bearing liabilities		**133,077**	161,309
Net debt			
Non-current interest bearing liabilities		**133,077**	161,309
Net borrowing costs		**527**	1,581
Cash and cash equivalents	3.2	**(18,773)**	(20,223)
Net debt		**114,831**	142,667

(A) RISK EXPOSURES

The exposures of borrowings to interest rate changes and the contractual repricing at the balance dates are as follows:

	Six months or less $'000	Six to 12 months $'000	One to five years $'000	Greater than five years $'000	Total $'000
2016	62,890	–	100,000	–	**162,890**
2017	33,604	–	100,000	–	**133,604**

The carrying amounts of borrowing are denominated in the following currencies:

	2017 $'000	2016 $'000
Australian dollars	**129,000**	158,579
Hong Kong dollars	**4,604**	4,311
Interest bearing liabilities	**133,604**	162,890

For an analysis of the sensitivity of borrowings to interest rate risk, refer to note 3.3.

Notes to the Consolidated Financial Statements

3.1 INTEREST BEARING LIABILITIES (CONTINUED)

(B) CAPITAL RISK MANAGEMENT

The Group is focused on safeguarding its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain an optimal capital structure, the Group may:

- adjust the amount of dividends paid to shareholders;
- return capital to shareholders;
- issue new shares; or
- sell assets to reduce debt.

(C) STANDBY ARRANGEMENTS AND CREDIT FACILITIES

Entities in the Group have access to:	2017 $'000	2016 $'000
Loan facilities[1]		
Secured bank loan facilities	**360,000**	360,000
Amount of facility utilised[2]	**(139,326)**	(169,058)
Amount of available facility	**220,674**	190,942
Overdraft facilities		
Unsecured bank overdraft facilities	**1,915**	1,915
Amount of credit utilised	**–**	–
Amount of available credit	**1,915**	1,915

(1) Pertaining to the revolving cash advance facility
(2) Includes bank guarantees drawn

Separate to the Group revolving cash facility, certain entities in the Group have access to a bank guarantee facility of $20 million. As at 31 December 2017, this facility was utilised for financial guarantees to the extent of $19.6 million (2016: $18.6 million). Refer to note 6.2 for further details.

ACCOUNTING POLICY

Interest bearing liabilities are initially recognised at fair value less attributable transaction costs and subsequently measured at amortised cost. Any difference between cost and redemption value is recognised in the income statement over the period of the borrowing on an effective interest basis.

Costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing. These costs are netted off against the carrying value of borrowings in the balance sheet.

Notes to the Consolidated Financial Statements

3.2 CASH FLOW INFORMATION

RECONCILIATION OF CASH

	2017 $'000	2016 $'000
Cash at end of the year, as shown in the statement of cash flows, comprises:		
Cash at bank and on hand	**18,773**	20,223
The below reconciliation relates to both continued and discontinued operations.		
Reconciliation of profit for the year to net cash inflows from operating activities:		
Profit/(loss) for the year	**(110,931)**	537
Depreciation and amortisation	**39,271**	23,563
Borrowing costs amortisation	**1,054**	1,371
Share of profits of associates	**(1,252)**	(9,305)
Foreign exchange loss	**–**	2,510
Other non-cash items	**(235)**	2,938
Loss on demerger of NZME	**–**	125,690
Reclassification of foreign currency translation reserves to the income statement	**–**	47,251
License fee relief	**(5,423)**	(1,702)
Share-based payments expense	**1,787**	(67)
Gain on sale of businesses	**–**	(3,677)
Net gain on sale of non-current assets	**–**	(104)
Gains on financial assets held at fair value through profit or loss	**(2,803)**	(3,009)
Gain on acquisition of Adshel	**–**	(223,086)
Impairment	**163,340**	–
Asset write downs and business closures	**–**	16,244
Changes in assets and liabilities net of effect of acquisitions and changes in accounting policy:		
Trade and other receivables	**(4,443)**	10,735
Inventories	**(164)**	321
Prepayments	**4,340**	(49)
Change in current payable/deferred tax	**11,912**	74,423
Trade and other payables and provision for employee benefits	**(21,299)**	(28,685)
Net cash inflows from operating activities	**75,154**	35,899

ACCOUNTING POLICY

For the purposes of presentation on the statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with financial institutions, net of bank overdrafts.

Notes to the Consolidated Financial Statements

3.3 FINANICIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign exchange risk), credit risk and liquidity risk.

The Group's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risk and ageing analysis for credit risk.

Financial risk management is carried out by the Group Treasury function under policies approved by the Board of Directors. The policies provide principles for overall risk management, as well as covering specific areas, such as interest rate risk, foreign exchange risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(A) MARKET RISK

(i) Cash flow and fair value interest rate risk

Long-term borrowings issued at variable rates expose the Group to cash flow interest rate risk. Long-term borrowings issued at fixed interest rates expose the Group to fair value interest rate risk. Group policy is to maintain a mix of fixed and variable rate borrowings using interest rate swap arrangements where necessary.

Based on the outstanding net floating debt and interest rate swaps as at 31 December 2017, a change in interest rates of +/-1% per annum with all other variables being constant would impact equity and post-tax profit by $0.1 million lower/higher (2016: $0.3 million lower/higher). The parent entity has no significant exposure to a change in interest rates.

(ii) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. Individual transactions are assessed, and forward exchange contracts are used to hedge the risk where deemed appropriate.

While the Group as a whole has assets and liabilities in multiple currencies, individual entities in the Group do not have a significant foreign exchange exposure to receivables or payables in currencies that are not their functional currency.

(iii) Price risk

The Group is not exposed to significant price risk.

(B) CREDIT RISK

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, the creditworthiness is assessed prior to entering into arrangements and approved by the Board.

For other customers, the maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each receivable. Risk control involves the assessment of the credit quality, taking into account financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

Credit risk further arises in relation to financial guarantees given to certain parties (refer to note 6.2 for details).

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises on derivative financial instruments with unrealised gains. At reporting date, no amount was receivable (Australian dollar equivalents) for the Group from forward exchange contracts (2016: $nil). Where appropriate, the Group undertakes all of its transactions in foreign exchange contracts with financial institutions.

Notes to the Consolidated Financial Statements

3.3 FINANICIAL RISK MANAGEMENT (CONTINUED)

(C) LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows.

The tables below analyse the Group's financial liabilities, including interest to maturity into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows. For interest rate swaps, the cash flows have been estimated using current interest rates applicable at the reporting date.

2016	Less than one year $'000	Between one and two years $'000	Between two and five years $'000	Over five years $'000
Non-derivative financial liabilities				
Payables[1]	85,342	–	–	–
Bank loans (including interest to maturity)	6,219	6,219	165,991	–
Total non-derivatives	91,561	6,219	165,991	–
Derivative financial liabilities				
Net settled interest rate swaps	554	554	416	–
Total derivatives	554	554	416	–
Less: interest	(6,219)	(6,219)	(3,101)	–
Total financial liabilities	85,896	554	163,306	–

2017	Less than one year $'000	Between one and two years $'000	Between two and five years $'000	Over five years $'000
Non-derivative financial liabilities				
Payables[1]	**60,733**	**–**	**–**	**–**
Bank loans (including interest to maturity)	**4,778**	**135,986**	**–**	**–**
Total non-derivatives	**65,511**	**135,986**	**–**	**–**
Derivative financial liabilities				
Net settled interest rate swaps	**564**	**423**	**–**	**–**
Total derivatives	**564**	**423**	**–**	**–**
Less: interest	**(4,778)**	**(2,382)**	**–**	**–**
Total financial liabilities	**61,297**	**134,027**	**–**	**–**

(1) The carrying amount of trade and other payables excludes $3.2 million (2016: $3.4 million) of current and $2.6 million (2016: $3.4 million) of non-current amounts as they do not meet the definition of a financial liability under Australian Accounting Standards.

Details of credit standby arrangements and loan facilities are included in note 3.1.

Notes to the Consolidated Financial Statements

3.4 FAIR VALUE MEASUREMENTS

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

- financial assets at fair value through profit or loss;
- derivative financial instruments;
- available-for-sale financial assets; and
- land and buildings.

(A) FAIR VALUE HIERARCHY

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(i) Recognised fair value measurements

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2016 and 2017:

2016	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements					
Financial assets					
Financial assets at fair value through profit or loss					
Shares in other corporations	5.4	–	–	31,527	**31,527**
Total financial assets		–	–	31,527	**31,527**
Non-financial assets					
Freehold land and buildings					
Freehold land	2.2	–	–	1,083	**1,083**
Buildings	2.2	–	–	663	**663**
Total non-financial assets		–	–	1,746	**1,746**
Recurring fair value measurements					
Financial liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liabilities		–	780	–	**780**
Total financial liabilities		–	780	–	**780**

Notes to the Consolidated Financial Statements

3.4 FAIR VALUE MEASUREMENTS (CONTINUED)

2017	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements					
Financial assets					
Financial assets at fair value through profit or loss					
Shares in other corporations	5.4	–	–	33,279	**33,279**
Total financial assets		–	–	33,279	**33,279**
Non-financial assets					
Freehold land and buildings					
Freehold land	2.2	–	–	1,083	**1,083**
Buildings	2.2	–	–	625	**625**
Total non-financial assets		–	–	1,708	**1,708**
Recurring fair value measurements					
Financial liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liabilities		–	778	–	**778**
Total financial liabilities		–	778	–	**778**

The Group also has a number of assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. There are no outstanding non-current receivables as at 31 December 2017 (level 3).

The level 3 inputs used by the Group are derived and evaluated as follows.

The fair value of non-current borrowings disclosed in note 3.1 is estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial instruments. For the period ended 31 December 2017, the borrowing rates were determined to be between 2.5% and 4.0% per annum, depending on the type of borrowing. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant (level 2).

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for shares in other corporations disclosed in note 5.4, which are valued using discount rates, forecast cash flows, EBITDA multiples estimated by management based on comparable transactions and industry data.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

The Group obtains independent valuations at least every three years for its freehold land and buildings (classified as property, plant and equipment in note 2.2), less subsequent depreciation for buildings. This is considered sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. All resulting fair value estimates for properties are included in level 3.

During the year, a fair value gain of $2.8 million (2016: $3.0 million) was recorded in other income for shares in other corporations. There were no other material level 3 fair value movements during the year.

Notes to the Consolidated Financial Statements

3.5 CONTRIBUTED EQUITY

	2017 $'000	2016 $'000
Issued and paid up share capital	**1,531,567**	1,528,022

(A) MOVEMENTS IN CONTRIBUTED EQUITY DURING THE FINANCIAL YEAR

	2017 Number of shares	2016 Number of shares	2017 $'000	2016 $'000
Balance at beginning of the year	**307,494,273**	1,029,041,356	**1,528,022**	1,222,780
Issues of ordinary shares – Renounceable Pro-Rata Entitlement Offers[1]	**–**	343,016,151	**–**	181,799
Share issue costs (net of tax)	**–**	–	**–**	(3,947)
Balance, prior to share consolidation	**307,494,273**	1,372,057,507	**1,528,022**	1,400,632
Share consolidation[2]	**–**	(1,176,046,225)	**–**	–
Capital reduction[3]	**–**	–	**–**	(141,130)
Issues of ordinary shares – Renounceable Pro-Rata Entitlement Offers[4]	**–**	111,482,991	**–**	273,133
Share issue costs (net of tax)	**–**	–	**–**	(4,613)
Dividend reinvestment plan[5]	**1,417,819**	–	**3,545**	–
Balance at end of the year	**308,912,092**	307,494,273	**1,531,567**	1,528,022

(1) In June 2016, the Company issued 343,016,151 shares via a fully underwritten accelerated Renounceable Pro-Rata Entitlement Offer to all shareholders. Net proceeds from this offer, after issuance costs (gross of related income tax benefit) were $176.2 million which were used to establish the new capital structures of the Company and NZME.

(2) The Company undertook a consolidation of share capital through the conversion of every seven Company shares into one Company share on 21 June 2016.

(3) Reduction in capital on demerger of NZME; refer to note 6.1 for further details.

(4) In October 2016, the Company issued 111,482,991 shares via a fully underwritten institutional placement and accelerated Renounceable Pro-Rata Entitlement Offer to all shareholders. Net proceeds from this offer, after issuance costs (gross of related income tax benefit) were $266.5 million which were used to fund the acquisition of the remaining 50% interest in the Adshel joint venture.

(5) The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash.

(B) ORDINARY SHARES

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, representative or attorney is entitled to one vote, and upon a poll each share is entitled to one vote.

ACCOUNTING POLICY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Consolidated Financial Statements

3.6 SHARE-BASED PAYMENTS

	2017 Number of rights	2016 Number of rights
As at 1 January	**903,419**	807,768
Granted[1]	**205,493**	510,002
Exercised	**(84,864)**	–
Forfeited	**(83,695)**	(414,351)
Other changes	**109,400**	–
As at 31 December	**1,049,753**	903,419

Share rights outstanding at the end of the year have the following vesting date and weighted average fair value.

Incentive plan	Vesting date	Weighted average fair value	Rights 2017	Rights 2016
2014 LTI	31–Dec–16	$5.04	**–**	84,863
2015 LTI[1]	31–Dec–17	$3.57	**319,945**	308,554
2016 TIP[2]	1–Jan–18	$3.13	**524,315**	510,002
2017 TIP[3]	1–Jan–19	$2.58	**205,493**	–
As at 31 December			**1,049,753**	903,419

	2017	2016
Weighted average remaining contractual life of rights outstanding at end of period	**0.2 years**	0.9 years

(1) The 2015 LTI scheme requires the company to deliver shares to the recipients on a pre-NZME demerger valuation basis, such that the recipients are not economically disadvantaged. Consequently, the Board has elected to satisfy the LTI incentive through issuing additional rights to HT&E shares totalling 95,087. The number of additional rights was calculated with reference to the HT&E and NZME share price on 1 January 2018, the vesting date for the 2015 LTI scheme. This is disclosed in other changes above.

(2) The 2016 TIP scheme requires that participants receive an additional allocation of shares at vesting equal to the dividends paid on vested rights over the service period. 14,313 additional rights were issued to satisfy this requirement. This is disclosed in other changes above.

(3) The date on which the fair value of the 2017 TIP rights were calculated, is the deemed grant date of the rights for accounting purposes. An actual grant of rights will not be made to the CEO & Managing Director until after shareholder approval has been received at the Annual General Meeting, and for all other Executive KMPs on 15 February 2017.

Share-based payments expense related to the above tables for the year was $1,448,000 (2016: $(67,000)). This excludes $500,000 incurred in relation to the equity component of the Conversant Media earn-out.

Details of rights granted to Key Management Personnel (KMP) are set out in the Remuneration Report as part of the Group's Annual Report.

The LTI plan, encompassing the 2015 financial year, provides for the grant of equity awards in the form of performance rights which may convert into Company shares at a future date if certain performance targets are met/exceeded, for KMP and other senior employees.

A portion (75%) of the 2015 LTI grant vested during the year and the remainder was forfeited. All rights related to the 2016 TIP grant vested at the end of the year.

The Total Incentive Plan (TIP), encompassing the 2017 and 2018 financial year, provides for the grant of rights which will convert to fully paid ordinary shares following the achievement of performance measures in 2017 and 2018 respectively, and satisfaction of a one-year service period.

Notes to the Consolidated Financial Statements

3.6 SHARE-BASED PAYMENTS (CONTINUED)

ACCOUNTING POLICY

Share-based compensation benefits are provided to employees via share-based payments or a LTI plan.

The fair value of rights granted under the LTI plan is recognised as an employee benefits expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the rights.

The fair value at grant date is independently determined using a number of methods including the Binomial option pricing model and the Monte-Carlo option pricing model which take into account the exercise price, the term of the right, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the right.

The fair value of the rights granted is adjusted to reflect the market vesting condition but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of rights that are expected to become exercisable. At each reporting date, the Group revises its estimate of the number of rights that are expected to become exercisable.

The employee benefits expense recognised each period takes into account the most recent estimate. The impact of the revision to the original estimates, is recognised in profit or loss with a corresponding adjustment to equity.

Notes to the Consolidated Financial Statements

3.7 RESERVES AND ACCUMULATED LOSSES

	2017 $'000	2016 $'000
Reserves		
Asset revaluation reserve	**786**	786
Foreign currency translation reserve	**(5,239)**	297
Share-based payments reserve	**9,347**	7,399
Hedging reserve	**(544)**	(546)
Transactions with non-controlling interests reserve	**(53,283)**	(53,283)
Treasury shares reserve	**(1,779)**	–
Total reserves	**(50,712)**	(45,347)
Asset revaluation reserve		
Balance at beginning of the year	**786**	6,758
Disposal of reserves on sale of ARM	**–**	(1,022)
Transfer to foreign currency translation reserve	**–**	26
Transfers to accumulated losses	**–**	(4,976)
Balance at end of the year	**786**	786
Foreign currency translation reserve		
Balance at beginning of the year	**297**	(66,108)
Foreign exchange transfers from other reserves and accumulated losses	**–**	91
Reclassification of foreign currency translation reserves to profit or loss on NZME demerger	**–**	60,190
Share of associates' foreign exchange reserve	**–**	1,223
Net exchange difference on translation of foreign operations	**(5,536)**	4,901
Balance at end of the year	**(5,239)**	297
Share-based payments reserve		
Balance at beginning of the year	**7,399**	7,466
Share-based payments expense	**1,948**	(67)
Balance at end of the year	**9,347**	7,399
Hedging reserve		
Balance at beginning of the year	**(546)**	(196)
Net gain/(loss) on hedge contracts	**2**	(350)
Balance at end of the year	**(544)**	(546)
Transactions with non-controlling interests reserve		
Balance at beginning of the year	**(53,283)**	(85,126)
Disposal of reserves on NZME demerger to accumulated losses	**–**	21,700
Decrease in purchase consideration for controlled business[1]	**–**	10,143
Balance at end of the year	**(53,283)**	(53,283)
Treasury shares reserve		
Balance at beginning of the year	–	–
Issue of treasury shares	(1,779)	–
Balance at end of the year	**(1,779)**	**–**
Capital profits reserve		
Balance at beginning of the year	–	104
Transfers to accumulated losses	–	(104)
Balance at end of the year	**–**	**–**

(1) During 2016, the Group made an adjustment on deferred tax impact arising from a prior group restructure. As a result, deferred tax assets increased by $10.1 million and non-controlling interests reserve increased by $10.1 million.

Notes to the Consolidated Financial Statements

3.7 RESERVES AND ACCUMULATED LOSSES (CONTINUED)

NATURE AND PURPOSE OF RESERVES

ASSET REVALUATION RESERVE

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in note 2.2. The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law. In the event of the sale of an asset, the revaluation surplus is transferred to accumulated losses.

FOREIGN CURRENCY TRANSLATION RESERVE

Exchange differences arising on translation of any foreign controlled entities are recognised in other comprehensive income and the foreign currency translation reserve as described in note 6.5.

SHARE-BASED PAYMENTS RESERVE

The share-based payments reserve is used to recognise the fair value of performance rights issued but not yet vested as described in note 3.6.

TREASURY SHARES RESERVE

HT&E Employee Share Trust (Trust), a controlled entity, was established during the period. The Trust purchased shares in the Company during the period with the shareholding in the Company as at 31 December 2017 totalling 741,418 at an average price of $2.40. This shareholding is disclosed as Treasury shares and deducted from equity.

The treasury shares reserve is used to recognise the value of shares purchased by the HT&E Employee Share Trust.

HEDGING RESERVE

The hedging reserve is used to record unrealised gains or losses on cash flow hedging instruments that are recognised in other comprehensive income described in note 6.5.

TRANSACTIONS WITH NON-CONTROLLING INTERESTS RESERVE

The transactions with non-controlling interest reserve is used to record the differences described in note 5.3 which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

ACCUMULATED LOSSES

	2017 $'000	2016 $'000
Balance at beginning of the year	**(756,085)**	(733,330)
Loss attributable to owners of the parent entity	**(117,486)**	(6,018)
Transfer from reserves	**–**	(16,737)
Dividends paid	**(21,524)**	–
Balance at end of the year	**(895,095)**	(756,085)

Notes to the Consolidated Financial Statements

3.8 DIVIDENDS

	2017 $'000	2016 $'000
Final dividend for the year ended 31 December 2016 (2015: nil)	**12,300**	–
Paid in cash	**10,403**	–
Issued under dividend reinvestment plan	**1,897**	–
Interim dividend for the year ended 31 December 2017 (2016: nil)	**9,224**	–
Paid in cash	7,575	–
Issued under dividend reinvestment plan	1,649	–
Total dividends	**21,524**	–
Franking credits available for subsequent financial years at the 30% corporate tax rate after allowing for tax payable in respect of the current year's profit and tax refunds due	**88,087**	90,070
Dividends not recognised at year end		
Since year end, the Directors have declared a fully franked final dividend of 4.0 cents per share. The aggregate amount of the dividend expected to be paid on 26 April 2018 out of retained profits at 31 December 2017, but not recognised as a liability at year end, is:	**12,357**	12,300

3.9 COMMITMENTS

LEASE COMMITMENTS

Commitments for minimum lease payments in relation to operating leases and rental commitments contracted for at the reporting date but not recognised as liabilities, payable:

	2017 $'000	2016 $'000
Not later than one year	**43,922**	66,855
Later than one year but not later than five years	**66,360**	71,743
Later than five years	**20,865**	18,649
Total operating lease and rental commitments	**131,147**	157,247
Representing:		
Cancellable operating leases and rental commitments	**51**	29
Non-cancellable operating leases and rental commitments	**131,096**	157,218
Total operating lease and rental commitments	**131,147**	157,247
Capital expenditure contracted for at balance date but not recognised as liabilities	13,142	7,667

Notes to the Consolidated Financial Statements

3.9 COMMITMENTS (CONTINUED)

ACCOUNTING POLICY

Finance leases are leases of property, plant and equipment where the Group, as lessee, has substantially all the risk and rewards of ownership. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. A corresponding liability is also established and each lease payment is allocated between the liability and finance charges and included in other short term and long term payables. The interest element is charged to the income statement over the period of the lease. Leased assets are amortised on a straight line basis over the term of the lease, or where it is likely that the Group will obtain ownership of the asset, the life of the asset. Leased assets held at balance date are amortised over the shorter of the estimated useful life or the lease term.

Operating leases are other leases under which all the risks and benefits of ownership are effectively retained by the lessor. Operating lease payments, excluding contingent payments, are charged to the income statement on a straight line basis over the period of the lease.

The IASB has issued IFRS 16 *Leases*, a new standard for the accounting of leases, replacing IAS 17 *Leases*. It applies to annual reporting periods commencing on or after 1 January 2019. The AASB has issued an equivalent standard, AASB 16 *Leases*. The new standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

The standard will impact the Group's reporting of operating lease commitments. The present value of these commitments would be shown as a liability on the balance sheet together with an asset representing the right-of-use. The ongoing income statement classification of what is currently predominantly rental and occupancy expense will be split between depreciation and interest expense. The Group is assessing the financial impact of this standard and will work to finalise this in the lead up to adoption.

Notes to the Consolidated Financial Statements

4 TAXATION

4.1 INCOME TAX AND DEFERRED TAX

(A) INCOME TAX

	2017 $'000	2016 $'000
Current tax expense	**19,782**	69,714
Deferred tax expense	**3,029**	30,883
Adjustment for current tax of prior periods	**(540)**	(2,859)
Income tax expense	**22,271**	97,738
Income tax expense is attributable to:		
Profit/(loss) from continuing operations	**22,271**	30,301
Loss from discontinued operations	**–**	67,437
Total income tax expense	**22,271**	97,738
Income tax expense differs from the prima facie tax as follows:		
Profit before income tax expense	**(88,660)**	98,275
Prima facie income tax at 30%	**(26,598)**	29,483
Difference in international tax treatments and rates	**135**	(1,958)
Gain on acquisition of Adshel	**–**	(66,926)
Non-deductible impairment charge	**48,212**	3,900
Loss on demerger of NZME	**–**	37,707
Reclassification of foreign currency translation reserves to the income statement	**–**	14,175
Tax losses written off/not recognised	**410**	57,974
Foreign exchange gains	**-**	–
Adjustment for current tax of prior periods	**(540)**	(2,859)
IRD settlement[1]	**–**	31,306
Deferred tax written off on discontinued operations	**–**	(6,835)
Other	**652**	1,771
Income tax expense	**22,271**	97,738

(1) Full settlement payment to New Zealand Inland Revenue Department (IRD), shared between the Company and NZME on a near equal basis.

KEY JUDGEMENTS AND ESTIMATES

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Judgement is required in relation to the recognition of carried forward tax losses as deferred tax assets. The Group assesses whether there will be sufficient future taxable profits to utilise the losses based on a range of factors, including forecast earnings and whether the unused tax losses resulted from identified causes which are unlikely to recur.

Notes to the Consolidated Financial Statements

4.1 INCOME TAX AND DEFERRED TAX (CONTINUED)

New Zealand branch matter

On 22 January 2018, the Australia Tax Office (ATO) issued amended income tax assessments in relation to the New Zealand branch matter, following the ATO audit of the licensing of New Zealand mastheads by a New Zealand branch of an Australian HT&E group entity. The New Zealand branch was closed as part of the demerger of NZME on 29 June 2016.

The amended assessments are for the financial years ended 31 December 2009 to 31 December 2012 inclusive, with tax adjustments of $72 million plus interest of $32 million. The ATO is yet to determine whether any penalties will be applied. The Company understands the ATO intends to issue further amended assessments in relation to this matter for the financial years ended 31 December 2013 to 31 December 2016 inclusive, with further tax adjustments of approximately $30 million to be assessed plus interest and any penalties if applied.

The issue of amended assessments represents a formalisation of the ATO's position. The Company continues to consult with its advisers. The Company is satisfied that its treatment of this matter is consistent with relevant taxation legislation. The Company intends to lodge an objection with the ATO and if necessary contest the amended assessments through litigation proceedings.

While these dispute processes are being completed, the Company would typically be required to deposit with the ATO 50% of the tax in dispute. The deposit is expected to be payable in two instalments, with $36m payable on 15 February 2018 and approximately $15m payable three weeks after the issue of the further amended assessments described above.

Other matters

The ATO is also auditing other matters within the Group covering the financial years ended 31 December 2010 to 31 December 2013 inclusive. As at the date of this report, there is no certainty as to whether any proposed adjustments or disputes will be raised by the ATO as a result of this audit.

Business combinations

During the period, the purchase price accounting for Adshel and Conversant Media was finalised leading to a recognition of deferred tax liabilities of $50,946,000. Refer to note 5.1 for further details.

Change in accounting policy

The Group has retrospectively applied a change in accounting policy related to the tax effect accounting of its radio licences. This has resulted in the recognition of non-cash deferred tax liabilities of $94,185,000 on its radio licences in prior periods assuming recovery through use. These deferred tax liabilities pertain to non-amortising radio licences, of which no tax deductions can be claimed while they are being held.

Notes to the Consolidated Financial Statements

4.1 INCOME TAX AND DEFERRED TAX (CONTINUED)

(B) DEFERRED TAX ASSETS AND LIABILITIES

2016	Balance 1 Jan 16 $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Other movements $'000	Balance 31 Dec 16 $'000
Tax losses	61,889	(55,119)	(854)	(5,916)	**–**
Employee benefits	5,195	(3,393)	–	487	**2,289**
Doubtful debts	825	(606)	–	18	**237**
Accruals/restructuring	3,059	1,472	–	7,357	**11,888**
Intangible assets	(131,399)[1]	12,443	9,599[2]	(42,560)[3]	**(151,917)**
Depreciation	(3,907)	2,064	721[2]	(10,627)[3]	**(11,749)**
Other	(22,709)	12,256	3,669	1,673[3]	**(5,113)**
	(87,047)	(30,883)	13,135	(49,570)	**(154,365)**

(1) Opening balance of $37.2 million uplifted by $94.2 million due to change in accounting policy referred to above.
(2) Of these amounts, $10.1 million refers to an adjustment on the deferred tax impact recorded from a prior Group restructure. Refer to note 3.7.
(3) Includes $50.9 million uplift to deferred tax liabilities as a result of business combinations referred to above.

2017	Balance 1 Jan 17 $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Other movements $'000	Balance 31 Dec 17 $'000
Employee benefits	2,289	110	–	–	**2,399**
Doubtful debts	237	(2)	–	–	**235**
Accruals/restructuring	11,888	(2,318)	–	–	**9,570**
Intangible assets	(151,917)	4,961	580	–	**(146,376)**
Depreciation	(11,749)	2,731	157	–	**(8,861)**
Other	(5,113)	(2,453)	–	–	**(7,566)**
	(154,365)	3,029	737	–	**(150,599)**

Notes to the Consolidated Financial Statements

4.1 INCOME TAX AND DEFERRED TAX (CONTINUED)

ACCOUNTING POLICY

The income tax expense for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and also adjusted for unused tax losses utilised in the year.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those enacted tax rates applicable to each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Temporary differences in relation to indefinite life intangible assets are determined with reference to their respective capital gains tax bases in respect of assets for which capital gains tax will apply.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised in other comprehensive income are also recognised in other comprehensive income.

The Company and its wholly-owned Australian controlled entities are part of a tax-consolidated group under Australian taxation law. HT&E Limited is the head entity in the tax-consolidated group. Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, HT&E Limited and each of the entities in the tax-consolidated group have agreed to pay (or receive) a tax equivalent payment to (or from) the head entity, based on the current tax liability or current tax asset of the entity. Each entity in the tax-consolidated group measures its current and deferred taxes as if it continued to be a separate taxable entity in its own right

Judgement is required in relation to the recognition of carried forward tax losses as deferred tax assets. The Group assesses whether there will be sufficient future taxable profits to utilise the losses based on a range of factors, including forecast earnings and whether the unused tax losses resulted from identified causes which are unlikely to recur.

Notes to the Consolidated Financial Statements

4.1 INCOME TAX AND DEFERRED TAX (CONTINUED)

CHANGE IN ACCOUNTING POLICY

Deferred tax

Recently the IFRS Interpretations Committee (IFRIC) issued an agenda decision which confirmed that an intangible asset with an indefinite useful life is not the same as a non-depreciable asset. As a consequence, entities can no longer presume that such assets will always be recovered through sale in measuring their deferred tax balances. Instead, entities will need to determine whether they expect to recover the carrying amounts of their indefinite life intangible assets through use or sale and reflect this in the measurement of the deferred tax balances.

Following the IFRIC decision, the Group has reviewed the tax effect accounting for its radio licences. The Group previously assumed that the carrying amount of these assets was expected to be recovered through sale, which meant that the capital gains tax base was used in measuring any deferred tax balances recognised. The Group has now changed its accounting policy and is measuring the deferred tax balances for its radio licences assuming recovery through use, as this is a better reflection of how the Company expects to recover these assets over the medium term given the recent reset of the Company's strategy towards radio, outdoor and digital assets in Australia. As there are no tax deductions that can be claimed in relation to the radio licences while they are being held, the new tax base of these assets is zero which requires the recognition of deferred tax liabilities.

The change in policy has been applied retrospectively. For those radio licences acquired as part of business combinations prior to the transition to IFRS, the corresponding adjustment has been made to accumulated losses. For those licences obtained subsequent to the Group adopting IFRS, corresponding adjustments were necessary to goodwill.

The impacts of these adjustments for 1 January 2016, 31 December 2016 and 31 December 2017 were the recognition of deferred tax liabilities of $94,185,000 and goodwill of $20,188,000, with a corresponding $73,997,000 increase to accumulated losses.

The balance sheet and statement of changes in equity have been restated for the comparative period. There was no impact on the income statement.

Notes to the Consolidated Financial Statements

5 GROUP STRUCTURE

5.1 BUSINESS COMBINATIONS

MATERIAL ACQUISITIONS

The Group gained control over Adshel and Conversant Media in October 2016:

Entity or business acquired	Principal activity	Date of acquisition	Ownership interest
Adshel[1]	Street furniture, transit and other outdoor advertising	25 Oct 16	100%
Conversant Media[2]	Online publishing	31 Oct 16	100%

(1) Adshel Street Furniture Pty Limited, Adshel New Zealand Limited and Australian Outdoor Pty Limited.
(2) Conversant Media Pty Ltd and The Roar Sports Media Pty Ltd.

The Group has one year from the acquisition dates to obtain the information necessary to identify and measure all the various components of the business combination as at acquisition date and as such the acquisition accounting as at 31 December 2016 was provisional. During the 2017 year, the purchase price accounting was finalised leading to the recognition of licences and relationships of $132.2 million, brands of $6.7 million and deferred tax liabilities of $50.9 million. Further, a reduction was recognised on deferred contract costs of $2.9 million, provision for contingent consideration of $3.3 million and other debtors of $0.1 million. The provisional amount of goodwill was reduced accordingly. Comparative amounts as at 31 December 2016 have been revised.

ACCOUNTING POLICY

The acquisition method of accounting is used to account for all business combinations. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value through profit or loss. Acquisition costs are expensed as incurred.

The identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. Non-controlling interests in an acquiree are recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition-by-acquisition basis.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the Group's share of the net identifiable assets acquired is recorded as goodwill.

Notes to the Consolidated Financial Statements

5.2 CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following entities in accordance with the accounting policy described in note 6.5.

CONTINUING OPERATIONS

Name of entity	Country of incorporation/ establishment	Equity holding 2017 %	Equity holding 2016 %
5AD Broadcasting Company Pty Ltd[1]	Australia	**100**	100
Actraint No. 116 Pty. Limited[1]	Australia	**100**	100
Adshel New Zealand Limited	New Zealand	**100**	100
Adshel Street Furniture Pty Limited[1,2]	Australia	**100**	100
Airplay Media Services Pty. Limited[1]	Australia	**100**	100
APN News & Media Employee Share Trust[3]	Australia	**100**	–
ARN Adelaide Pty Ltd[1]	Australia	**100**	100
ARN Brisbane Pty Ltd[1,2]	Australia	**100**	100
ARN Broadcasting Pty Ltd[1]	Australia	**100**	100
ARN Communications Pty Ltd[1,2]	Australia	**100**	100
ARN Limited Partnership	Australia	**100**	100
ARN New Zealand Pty Limited[1,2]	Australia	**100**	100
ARN Overseas Pty. Limited[1,2]	Australia	**100**	100
ARN Perth Pty Limited[1]	Australia	**100**	100
ARN South Australia Pty Limited[1]	Australia	**100**	100
ARN Superannuation Pty Ltd[1]	Australia	**100**	100
ARNSAT Pty Limited[1]	Australia	**100**	100
Asia Posters Sdn Bhd	Malaysia	**100**	100
Australian Outdoor Pty Limited[1]	Australia	**100**	100
Australian Radio Network Pty Limited[1,2]	Australia	**100**	100
Australian Radio Network Sales Pty Ltd[1]	Australia	**100**	100
Biffin Pty. Limited[1,2]	Australia	**100**	100
Black Mountain Broadcasters Pty. Limited	Australia	**50**	50
Blue Mountains Broadcasters Pty Limited[1]	Australia	**100**	100
Brisbane FM Radio Pty Ltd	Australia	**50**	50
Buspak Advertising (China) Limited	Hong Kong	**100**	100
Buspak Advertising (Hong Kong) Limited	Hong Kong	**100**	100
C.R. Phillips Investments Pty Ltd[1]	Australia	**100**	100
Capital City Broadcasters Pty. Limited[1]	Australia	**100**	100
Cardcorp (Manufacturing) Pty. Limited	Australia	**100**	100
Catalogue Central Pty Limited[1]	Australia	**100**	100
Central Coast Broadcasting Pty.[1]	Australia	**100**	100
Citysites Outdoor Advertising (Albert) Pty. Ltd.[1]	Australia	**100**	100
Citysites Outdoor Advertising (S. Aust.) Pty. Ltd.[1]	Australia	**100**	100
Citysites Outdoor Advertising (W Aust) Pty Ltd[1]	Australia	**100**	100
Citysites Outdoor Advertising Pty. Ltd.[1]	Australia	**100**	100
Cody Outdoor International (HK) Limited	Hong Kong	**100**	100
Commonwealth Broadcasting Corporation Pty Ltd[1,2]	Australia	**100**	100
Conversant Media Pty Ltd[1]	Australia	**100**	100
Covette Investments Pty Limited[1,2]	Australia	**100**	100

Notes to the Consolidated Financial Statements

Name of entity	Country of incorporation/ establishment	Equity holding 2017 %	2016 %
Double T Radio Pty Ltd[1]	Australia	**100**	100
Emotive Pty Limited	Australia	**51**	51
Evitome Pty Limited[1]	Australia	**100**	100
Farm Fantastic Pty Limited	Australia	**50**	50
Gergdaam Capital Pty Limited[1,2]	Australia	**100**	100
GrabOne Investments Limited[4]	UK	**–**	100
Gulgong Pty. Limited[1,2]	Australia	**100**	100
Haswell Pty. Limited[1,2]	Australia	**100**	100
HT&E Braeside Pty Ltd	Australia	**100**	100
HT&E Broadcasting (Regionals) Pty. [1,2]	Australia	**100**	100
HT&E Broadcasting Investments Pty Limited[1]	Australia	**100**	100
HT&E Business Magazines Pty Ltd[1]	Australia	**100**	100
HT&E Digital Pty. Ltd. [1]	Australia	**100**	100
HT&E Finance Pty Limited[1,2]	Australia	**100**	100
HT&E International Pty Limited[1,2]	Australia	**100**	100
HT&E Milperra Pty Ltd	Australia	**100**	100
HT&E Online (Australia) Pty Limited[1]	Australia	**100**	100
HT&E Operations Limited[1,2]	Australia	**100**	100
Inc Network Australia Pty Ltd[1]	Australia	**100**	100
KAFM Broadcasters Proprietary Limited[1]	Australia	**100**	100
Level 3 Investments Pty Limited[1]	Australia	**100**	100
Level 4 Investments Pty Limited[1]	Australia	**100**	100
Lunchbox Investments Pty Ltd	Australia	**100**	100
Media Tek Pty. Limited[1,2]	Australia	**100**	100
Melbourne F.M. Facilities Pty. Limited	Australia	**50**	50
Nathco Holdings Pty. Ltd.[1,2]	Australia	**100**	100
Nova Entertainment (Perth) Pty Ltd	Australia	**50**	50
Perth Sign Company Pty Ltd[1]	Australia	**100**	100
Phillips Finance Pty Ltd[1]	Australia	**100**	100
Phillips Neon Pty Ltd[1]	Australia	**100**	100
Provincial Investments Pty. Ltd.[1]	Australia	**100**	100
Radio 96FM Perth Pty Limited[1]	Australia	**100**	100
RadioWise Pty Ltd[1]	Australia	**100**	100
Regmax Pty Limited[1]	Australia	**100**	100
Shelter Advertising Pty Ltd[1]	Australia	**100**	100
Southern State Broadcasters Pty. Limited[1]	Australia	**100**	100
Speedlink Services Pty Ltd[1]	Australia	**100**	100
Street Furniture (NSW) Pty Ltd[1]	Australia	**100**	100
SunCoastal F.M. Radio Pty. Ltd.[1]	Australia	**100**	100
Sydney FM Facilities Pty Ltd	Australia	**50**	50
The Internet Amusements Group Pty Limited[1]	Australia	**100**	100
The Level 3 Partnership	Australia	**100**	100
The Level 4 Partnership[5]	Australia	**–**	100
The Roar Sports Media Pty Ltd[1]	Australia	**100**	100

Notes to the Consolidated Financial Statements

Name of entity	Country of incorporation/ establishment	Equity holding 2017 %	2016 %
Tibbar Broadcasting Pty Limited[1]	Australia	**100**	100
Universal Radio Pty. Ltd.[1]	Australia	**100**	100
Urban Design Furniture Pty. Ltd.[1]	Australia	**100**	100
Wesgo[1,2]	Australia	**100**	100
West Sydney Radio Pty Ltd[1]	Australia	**100**	100
Westat Research Pty Ltd[1]	Australia	**100**	100
Wilson & Horton Australia Pty Ltd[1]	Australia	**100**	100
Wilson & Horton Finance Pty Ltd[1,2]	Australia	**100**	100

(1) These companies are parties to a deed of cross guarantee dated 28 April 2017 under which each company guarantees the debts of the others (Deed of Cross Guarantee). These companies represent a Closed Group for the purposes of Australian Securities and Investments Commission (ASIC) Corporations *(Wholly-owned Companies) Instrument 2016/785* and there are no other members of the Extended Closed Group.

(2) These wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under ASIC Corporations *(Wholly-owned Companies) Instrument 2016/785.*

(3) APN News & Media Employee Share Trust was established on 29 March 2017. Refer to note 3.5.

(4) GrabOne Investments Limited was dissolved on 28 March 2017.

(5) The Level 4 Partnership was dissolved on 1 December 2017.

Notes to the Consolidated Financial Statements

5.3 INTERESTS IN OTHER ENTITIES

(A) MATERIAL SUBSIDIARIES WITH NON-CONTROLLING INTERESTS

Set out below are the Group's principal subsidiaries with material non-controlling interests. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group, and the proportion of ownership interests held equals to the voting rights held by the Group.

Name of entity	Place of business	Country of incorporation	Ownership interest held by the Group 2017	Ownership interest held by the Group 2016	Ownership interest held by non-controlling interests 2017	Ownership interest held by non-controlling interests 2016	Principal activities
Brisbane FM Radio Pty Ltd	Australia	Australia	50%	50%	50%	50%	Commercial radio

(B) NON-CONTROLLING INTERESTS

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	Brisbane FM Radio Pty Ltd 2017 $'000	Brisbane FM Radio Pty Ltd 2016 $'000
Summarised balance sheet		
Current assets	**6,166**	5,997
Current liabilities	**4,545**	4,570
Current net assets	**1,621**	1,427
Non-current assets	**67,636**	67,698
Non-current liabilities	**23**	45
Non-current net assets	**67,613**	67,653
Net assets	**69,234**	69,080
Accumulated non-controlling interests	**36,218**	35,211
Summarised statement of comprehensive income		
Revenue	**31,549**	33,551
Profit for the period	**12,554**	12,576
Other comprehensive income	**–**	–
Total comprehensive income	**12,554**	12,576
Total comprehensive income allocated to non-controlling interests	**6,277**	6,288
Dividends paid to non-controlling interests	**6,200**	6,100
Summarised cash flows		
Net inflows from operating activities	**11,846**	10,048
Net inflows/(outflows) from investing activities	**18**	(106)
Net outflows from financing activities	**(11,592)**	(10,736)
Net increase/(decrease) in cash and cash equivalents	**272**	(794)

Notes to the Consolidated Financial Statements

ACCOUNTING POLICY

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, balance sheet and statement of changes in equity respectively.

The effects of all transactions with non-controlling interests are recorded in equity if there is no change in control. Where there is a loss of control, any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in the income statement. Any losses are allocated to the non-controlling interests in subsidiaries even if the accumulated losses should exceed the non-controlling interests in the individual subsidiary's equity.

5.4 SHARES IN OTHER CORPORATIONS

	Note	2017 $'000	2016 $'000
Shares in other corporations	3.4	**33,279**	31,527

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurement of shares in other corporations, which is mainly comprised of the Group's investment in Nova 93.7, an FM Radio station in Perth, Western Australia:

Description	Fair value as at 31 Dec 17 $'000	Valuation technique	Unobservable inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Shares in other corporations	33,279	Discounted cash flows	Cash flow growth factor	Between - 0.4% and +2.0% (+2.0%)	Increased cash growth factor by 50 basis points and lowering discount rate by 100 basis points would increase the fair value by $4.5 million. Lowering cash growth factor by 50 basis points and increasing discount rate by 100 basis points would decrease the fair value by $3.5 million
			Risk-adjusted discount rate	14.0%	

ACCOUNTING POLICY

Classification and initial measurement of financial assets

Financial assets are initially measured at fair value, plus transaction costs. This excludes those financial assets classified as at fair value through profit or loss which are initially measured at fair value. Subsequent measurement of financial assets is at fair value or amortised cost where certain criteria are met.

Financial assets at amortised cost and impairment

The Group's loans and receivables (refer to note 2.3) meet the requirements for measurement at amortised cost based on the purpose for which the assets and liabilities are held and the contractual terms.

For financial assets measured at amortised cost, the Group assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets at fair value

The Group's investments in equity instruments are measured at fair value, determined in the manner described in note 3.4. At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to recognise gains and losses on equity instruments not held for trading, in other comprehensive income. Otherwise, all gains and losses are recognised in profit or loss.

Notes to the Consolidated Financial Statements

5.5 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	2017 $'000	2016 $'000
Shares in associates		**18,696**	12,257
Total investments accounted for using the equity method		**18,696**	12,257
Share of profits of associates	1.3	**1,252**	9,305

Set out below are the associates of the Group as at 31 December 2017. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	Ownership interest 2017	Ownership interest 2016	Nature of relationship	Measurement method	Consolidated carrying values 2017 $'000	Consolidated carrying values 2016 $'000
Soprano Design Pty Limited	Australia	**25%**	25%	Associate[1]	Equity method	**13,784**	12,257
HT&E Events Pty Limited	Australia	**50%**	–	Associate[2]	Equity method	**1,121**	–
Unbnd Group Pty Ltd	Australia	**50%**	–	Associate[3]	Equity method	**3,791**	–

(1) Soprano Design Pty Limited specialises in the development and provision of world leading mobile messaging and wireless application infrastructure. The interest in this business was acquired in 2001.

(2) HT&E Events Pty Limited specialises in Australian esports and was established in August 2017. In partnership with Gfinity PLC, HT&E Events Pty Limited also launched Gfinity Esports Australia in August 2017.

(3) Unbnd Group Pty Ltd is a digital and communications business specialising in emerging media technologies, including Virtual and Augmented Reality. The interest was acquired in September 2017 and the carrying value includes $1.5m provision for earn-out payments which are subject to specific performance objectives.

Notes to the Consolidated Financial Statements

5.5 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

ACCOUNTING POLICY

Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income of the associate, is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received from associates are recognised in the consolidated financial statements as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

Joint arrangements

Under AASB 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

(i) *Joint operations*

The Group recognises its direct right to, and its share of, jointly held assets, liabilities, revenues and expenses of joint operations.

(ii) *Joint ventures*

The interest in a joint venture is accounted for using the equity method after initially being recognised at cost. Under the equity method, the share of the profits or losses of the joint venture is recognised in the income statement, and the share of post-acquisition other comprehensive income is recognised in other comprehensive income.

When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Notes to the Consolidated Financial Statements

5.6 PARENT ENTITY FINANCIAL INFORMATION

(A) SUMMARY OF FINANCIAL INFORMATION FOR THE PARENT ENTITY

The individual financial statements for the parent entity show the following aggregate amounts:

	2017 $'000	2016[1] $'000
Balance sheet		
Current assets	**85**	64
Total assets	**1,453,659**	1,521,807
Current liabilities	**18,711**	332
Total liabilities	**573,063**	516,859
Shareholders' equity		
Issued capital	**1,531,567**	1,528,022
Reserves		
Share-based payments reserve	**9,347**	7,399
Retained earnings		
Opening profit reserve	**81,727**	81,727
Dividends paid	**(21,546)**	–
Brought forward profit reserve	**60,181**	81,727
Profit for the year	**–**	–
Closing profit reserve	**60,181**	81,727
Brought forward loss reserve	**(612,200)**	(598,421)
Loss for the year	**(108,299)**	(13,779)
Closing loss reserve	**(720,499)**	(612,200)
Total equity	**880,596**	1,004,948
Loss for the year	**(108,299)**	(13,779)
Total comprehensive income	**(108,299)**	(13,779)

(1) The comparative information for the brought forward loss reserve and inter-company balances have been amended to reflect the change in accounting policy for tax effect accounting for radio licences described in Note 4.1.

(B) GUARANTEES ENTERED INTO BY THE PARENT ENTITY

Refer to note 6.2 for details.

(C) CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS OF THE PARENT ENTITY

The parent entity did not have any other contingent liabilities or any contractual commitments as at 31 December 2017 or 31 December 2016.

ACCOUNTING POLICY

The financial information for the parent entity, HT&E Limited, has been prepared on the same basis as the consolidated financial statements, except for:

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment losses in the financial statements of the parent entity.

Dividends received from subsidiaries are recognised in the parent entity's income statement when its right to receive the dividend is established.

Notes to the Consolidated Financial Statements

5.7 DEED OF CROSS GUARANTEE

Companies in the Closed Group are party to a deed of cross guarantee dated 28 April 2017 under which each guarantees the debts of the others. These companies represent a Closed Group for the purposes of ASIC Corporations *(Wholly-owned Companies)* Instrument 2016/785. The companies party to Deed of Cross Guarantee are detailed at note 5.2.

Set out below is the consolidated income statement and summary of movements in consolidated retained earnings for the year ended 31 December 2017 for the Closed Group:

	2017 $'000	2016 $'000
Revenue from continuing operations	**365,254**	216,139
Other revenue and income	**78,653**	253,610
Expenses from operations before finance costs, depreciation and amortisation	**(296,071)**	(170,698)
Finance costs	**(18,080)**	(23,475)
Depreciation and amortisation	**(28,971)**	(7,408)
Impairment of intangible assets	**(163,340)**	–
Share of profits of associates	**1,252**	9,305
Profit/(loss) before income tax	**(61,303)**	277,473
Income tax expense	**(30,058)**	(27,688)
Profit/(loss) from continuing operations	**(91,361)**	249,785
Gain from discontinued operations	**–**	691,530
Profit/(loss) attributable to owners of the parent entity	**(91,361)**	941,315
Retained earnings/(accumulated losses)		
Balance at beginning of the year	**49,641**	(876,250)
Profit/(loss) attributable to owners of the parent entity	**(91,361)**	941,315
Opening retained earnings of entities entering the Closed Group	**(886,062)**	–
Dividends paid	**(21,524)**	(18,000)
Transfers between reserves	**–**	2,576
Balance at end of the year	**(949,306)**	49,641

Notes to the Consolidated Financial Statements

5.7 DEED OF CROSS GUARANTEE (CONTINUED)

Set out below is the consolidated balance sheet as at 31 December 2017 for the Closed Group:

	2017 $'000	2016(1) $'000
Current assets		
Cash and cash equivalents	**12,267**	9,287
Receivables	**201,152**	596,675
Inventories	**1,816**	1,617
Income tax receivable	**–**	1,007
Other current assets	**6,966**	12,487
Total current assets	**222,201**	621,073
Non-current assets		
Receivables	**1,243**	–
Other financial assets	**442,526**	1,030,770
Investments accounted for using the equity method	**18,696**	12,257
Property, plant and equipment	**59,396**	71,885
Intangible assets	**542,205**	713,778
Total non-current assets	**1,064,066**	1,828,690
Total assets	**1,286,267**	2,449,763
Current liabilities		
Payables	**209,055**	363,349
Current tax liabilities	**18,446**	4,925
Provisions	**13,348**	12,595
Total current liabilities	**240,849**	380,869
Non-current liabilities		
Payables	**1,981**	3,857
Interest bearing liabilities	**128,473**	156,997
Derivative liabilities	**778**	780
Provisions	**19,423**	16,155
Deferred tax liabilities	**131,790**	132,902
Total non-current liabilities	**282,445**	310,691
Total liabilities	**523,294**	691,560
Net assets	**762,973**	1,758,203
Equity		
Contributed equity	**1,531,567**	1,528,022
Reserves	**180,712**	180,540
Retained earnings/(accumulated losses)	**(949,306)**	49,641
Total parent entity interest	**762,973**	1,758,203
Total equity	**762,973**	1,758,203

(1) The comparative period amounts have been amended to include additional intercompany balances between members of the Closed Group and other entities in the consolidated group that are not a party to the Deed of Cross Guarantee. The amendments did not impact the financial results and position of the consolidated entity or the parent entity.

Notes to the Consolidated Financial Statements

6 OTHER

6.1 DISCONTINUED OPERATIONS

DIVESTMENT OF ARM

On 21 June 2016, the Group announced that it had entered into binding documentation to divest Australian Regional Media (ARM) to a subsidiary of News Corp. The Group completed the sale on 28 December 2016. The total value of the transaction was $36.6 million.

THE DEMERGER OF NZME

On 29 June 2016, the Group announced that it had completed the demerger of NZME ("the demerger") to create an independent entertainment and media company, NZME Limited.

The demerger took place by way of a capital reduction, with an in-specie distribution of shares in NZME as consideration. Instead of receiving cash from the capital reduction, the Company Shareholders received a distribution of shares in NZME, which is referred to as an in-specie distribution.

The internal restructure was accounted for as a common control transaction, with the effect being that the historical values in the books of the Company remain unchanged. Differences between the consideration provided or received as part of the internal restructure have been reflected as adjustments to the prior period retained earnings.

Balances in the foreign currency translation reserve in respect of HT&E's net investment in New Zealand were recycled through the income statement. Balances in the common control reserve, non-controlling interest and asset revaluation reserves relating to the demerged entity were transferred to retained earnings.

Notes to the Consolidated Financial Statements

6.1 DISCONTINUED OPERATIONS (CONTINUED)

DISCONTINUED OPERATIONS

The results of ARM prior to disposal and NZME prior to the demerger are reported as discontinued operations. Financial information related to the discontinued operations for the period to the date of disposal and demerger is set out below.

(a) Financial performance and cash flow information

ARM

	2016 $'000
Revenue and other income	176,852
Expenses before depreciation and amortisation	(165,633)
Depreciation and amortisation	(3,730)
Profit before income tax	7,489
Income tax expense	(1,939)
Profit from operations	5,550
Write down of assets to fair value less costs to sell[a]	(15,540)
Gain on insurance claim	–
Impairment of intangible assets	–
Net loss on disposal of properties	–
Redundancies and associated costs[b]	(3,136)
Onerous contract costs	(598)
Loss on sale of ARM	(879)
Income tax (expense)/credit[c]	(8,951)
Loss after income tax from discontinued operations	(23,554)

Explanation of items related to discontinued operations
(a) Write down of non-current assets to fair value less costs to sell on classification as held for sale.
(b) Redundancies and associated costs relate to on-going restructuring activities.
(c) Includes the write off of deferred tax assets associated with the disposal of ARM, offset by the tax impact related to the write down of non-current assets to fair value less costs to sell, redundancies and associated costs.

ARM

	2016 $'000
Net cash inflows from operating activities	11,871
Net cash inflows/(outflows) from investing activities	33,849
Net cash outflows from financing activities	(88)
Net increase in cash generated by the division	45,632

Notes to the Consolidated Financial Statements

6.1 DISCONTINUED OPERATIONS (CONTINUED)

(a) Financial performance and cash flow information (continued)

NZME

	2016 $'000
Revenue and other income	182,938
Expenses	(153,880)
Depreciation and amortisation	(11,298)
Profit before income tax	17,760
Income tax expense	(2,219)
Profit from operations	15,541
Loss on demerger of NZME[a]	(125,690)
Reclassification of foreign currency translation reserves to the income statement[b]	(47,251)
Transaction costs[c]	(8,236)
Net finance costs[d]	(3,021)
Redundancies and associated costs[e]	(2,811)
Costs in relation to one off projects[f]	(534)
Net gain on disposal of properties and businesses[g]	1,254
Foreign currency loss[h]	(2,510)
Asset write downs and business closures	–
Income tax (expense)/credit[i]	(54,328)
Profit/(loss) after income tax from discontinued operations	(227,586)

Explanation of items related to discontinued operations

(a) The loss on demerger of NZME represents the deficit of net assets transferred on demerger compared to the fair value of NZME shares, calculated by reference to the volume weighted average price on the Australian Securities Exchange and New Zealand Exchange over the first five days of trading.

(b) Foreign currency loss relates predominantly to the historical foreign currency translation reserve in respect of APN's net investment in New Zealand, recycled to the income statement on demerger, offset by the reversal of certain foreign exchange deferred tax balances written back on demerger.

(c) Transaction costs primarily relate to the cost of external consultants, debt facility establishment fees and other fees associated with the demerger.

(d) Net finance costs relate to the write off of a portion of unamortised borrowing costs as a result of the demerger and associated reduction in available debt facilities (refer to note 3.1).

(e) Redundancies and associated costs primarily relate to ongoing restructuring activities of the publishing business and integration of the New Zealand operations.

(f) Costs in relation to one off projects refers primarily to the costs of external consultants assisting with the ongoing integration and co-location initiatives in New Zealand.

(g) Gain on disposal of properties and businesses relates to the sale of a property in Nelson and the Wairarapa Times business.

(h) Relates predominantly to the settlement of various cross-border inter-company loans prior to demerger.

(i) Included in tax expense is NZME's share of the settlement with the Inland Revenue Department, the utilisation of historical tax losses incorporated as part of the settlement, and tax on inter-group charges before the demerger. Further information is contained within note 4.

NZME

	2016 $'000
Net cash inflows from operating activities	9,232
Net cash outflows from investing activities	(3,212)
Net cash outflows from financing activities[a]	(171,213)
Net decrease in cash generated by the division	(165,193)

(a) Relates to the repayment of borrowings of Wilson & Horton Limited denominated in New Zealand dollars under the Group multi-currency syndicated debt facility during the period.

Notes to the Consolidated Financial Statements

6.1 DISCONTINUED OPERATIONS (CONTINUED)

(b) Loss on demerger

NZME

	2016 $'000
Fair value of NZME	141,130
Less: NZME net assets demerged	(266,820)
Loss on demerger	(125,690)

(c) Sale of ARM

	2016 $'000
Consideration	
Cash received	36,600
Total disposal consideration	36,600
Less: carrying amount of net assets sold	(32,925)
Less: transaction costs and other items	(4,554)
Loss on sale before income tax	(879)
Income tax benefit on loss	128
Loss on sale after income tax	(751)

ACCOUNTING POLICY

Non-current assets (or disposal Groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount, and their fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

Notes to the Consolidated Financial Statements

6.2 CONTINGENT LIABILITIES

The parent entity and all wholly-owned controlled entities have provided guarantees in respect of banking facilities. As at 31 December 2017, the facilities had been drawn to the extent of $139.3 million (December 2016: $169.1 million), of which $5.7 million (December 2016: $6.2 million) pertain to bank guarantees.

Certain wholly-owned subsidiaries of the Company have provided financial guarantees of $19.6 million (2016: $18.6 million) in respect of performance commitments for site rental contracts and property leases.

The Group did not have any other contingent liabilities and contractual commitments as at 31 December 2017 or 31 December 2016.

CLAIMS

Claims for damages are made against the Group from time to time in the ordinary course of business. The Directors are not aware of any claim that is expected to result in material costs or damages.

6.3 REMUNERATION OF AUDITORS

During the year, the following fees were paid or payable for services provided by the auditor of the Group, its related practices, non-related audit firms and other professional advisory and consulting firms.

	2017 $'000	2016 $'000
Remuneration for audit or review of the financial reports[1]		
PricewaterhouseCoopers – Australian firm	**924**	1,130
PricewaterhouseCoopers – overseas firm	**87**	117
Remuneration for other assurance services[1]		
PricewaterhouseCoopers – Australian firm	**88**	326
PricewaterhouseCoopers – overseas firm	**8**	77
Total audit and other assurance services	**1,107**	1,650
Remuneration for other services[2]		
PricewaterhouseCoopers – Australian firm		
Tax services		
Consulting and advice	**355**	1,278
Compliance	**145**	104
Other advisory services	**46**	918
PricewaterhouseCoopers – overseas firm		
Tax services		
Consulting and advice	**3**	1,266
Compliance	**23**	49
Other advisory services	**–**	212
Total non-audit services	**572**	3,827

(1) 2016 audit and other assurance services includes non-recurring fees of $620,000, relating to audit effort associated with transactions undertaken during the year.

(2) 2016 non-audit services include non-recurring fees of $3,579,000, relating to tax consulting and advice, and due diligence procedures associated with transactions undertaken during the year. PricewaterhouseCoopers was considered most appropriately suited to perform this work.

Notes to the Consolidated Financial Statements

6.4 RELATED PARTIES

(A) KEY MANAGEMENT PERSONNEL COMPENSATION

	2017	2016
Short-term employee benefits	**4,567,383**	6,475,585
Post employment benefits	**227,213**	253,300
Other long term benefits	**82,692**	68,895
Share-based payments	**1,206,121**	169,268
	6,083,409	6,967,048

Detailed remuneration disclosures are provided in the Remuneration Report.

(B) TRANSACTIONS WITH OTHER RELATED PARTIES

The below relates to both continuing and discontinued operations.

The aggregate amounts recognised in respect of the following types of transactions and each class of related party involved were:

Transaction type	Class of other related party	2017 $'000	2016 $'000
Associate company fee	Associate/Key Management Personnel[1]	–	42
Consulting services received	Key Management Personnel[2]	–	48
Print services received	Other related parties[3]	–	2,161
Services received	Key Management Personnel[4]	–	29

The above transactions were made on commercial terms and conditions and at market rates except where indicated.

(1) Chairman's fee paid to Peter Cosgrove by Adshel Street Furniture Pty Limited for services which ceased on 25 October 2016.

(2) Consultancy fee paid to Ted Harris for consulting and advisory services rendered. Ted Harris ceased to be a related party on 11 May 2016.

(3) Print service fees paid to Beacon Print Ltd, a company in which the Group held an interest in, prior to NZME demerger.

(4) Conference and hospitality services rendered by Bannisters Pavilion, a business owned by Peter Cosgrove, in return for advertising and fees on normal commercial terms.

(C) PAYABLES WITH OTHER RELATED PARTIES

There was $nil payable to related parties as at 31 December 2017 (2016: $nil).

(D) LOANS TO RELATED PARTIES

There was $0.7 million loan to related parties as at 31 December 2017 (2016: $nil).

(E) COMMITMENTS WITH OTHER RELATED PARTIES

During the year, the Company entered into an arrangement with MediaCap Fund No. 1 Trust ("Trust"). Peter Cosgrove is the Chairman of the Trust Investment Committee and is a shareholder in MediaCap Pty Limited ("MediaCap"), the Trustee of the Trust. During the year, it was established Mr Cosgrove and his close family members controlled MediaCap Pty Limited. As at the date of this report, Mr Cosgrove and his close family members own 30.2% of the shares of MediaCap Pty Limited and hold one of four positions on its Board of Directors.

An establishment fee of $48,000 was paid to MediaCap by HT&E upon execution of a subscription agreement with the Trust. There were no other transactions between the Company and MediaCap during the year and the Company's investment in MediaCap is not material at 31 December 2017. There are also no balances outstanding at balance date. Refer to the Remuneration Report for further details.

Notes to the Consolidated Financial Statements

6.5 OTHER SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION – SUBSIDIARIES

The consolidated financial statements incorporate the assets and liabilities of HT&E Limited and its subsidiaries. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-entity transactions, balances and unrealised gains on transactions between Group entities are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, balance sheet and statement of changes in equity respectively.

FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars, which is HT&E Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

(iii) Group entities

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the balance sheet;
- income and expenses are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or a partial disposal occurs, a proportionate share of such exchange differences is recognised in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

TRADE PAYABLES

Trade payables, including accruals not yet billed, are recognised when the Group becomes obliged to make future payments as a result of a purchase of assets or services. Trade payables are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received. Trade payables are unsecured and are generally settled within 30 to 45 days.

DIVIDENDS

A payable is raised for the amount of any dividend declared, determined or publicly recommended by the Directors before or at the end of the financial year but not distributed at balance date.

Notes to the Consolidated Financial Statements

6.5 OTHER SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SHORT-TERM INCENTIVE PLANS

A liability for short-term incentives is recognised in provisions when there is an expectation of settlement and at least one of the following conditions is met:

- there are contracted terms in the relevant plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for short-term incentives are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The cost of individual items of inventory are determined using the first in first out method.

DERIVATIVES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Fair value is determined with reference to quoted market prices. The method of recognising the resulting gain or loss depends on whether the derivative is designated and effective as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

FAIR VALUE HEDGES

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

CASH FLOW HEDGES

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised in the income statement in other income or other expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance costs. The gain or loss relating to the effective portion of forward foreign exchange contracts is recognised in the income statement within other income.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Notes to the Consolidated Financial Statements

6.5 OTHER SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DERIVATIVES THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised in the income statement.

STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2017 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below.

The IASB has issued IFRS 15 *Revenue from Contracts with Customers*, a new standard for the recognition of revenue, replacing IAS 18 *Revenue* which covers contracts for goods and services. Refer to note 1.1 for more detail.

The IASB has issued IFRS 16 *Leases*, a new standard for the accounting of leases, replacing IAS 17 *Leases*. Refer to note 3.9 for more detail.

AASB 9 *Financial Instruments*, the AASB equivalent of IFRS 9 *Financial Instruments*, introduces a new model for classification and measurement of financial assets and liabilities, an 'expected loss' impairment model and a reformed approach to hedge accounting. It is effective for annual reporting periods beginning on or after 1 January 2018. The classification and measurement and new approach to hedge accounting was early adopted by the Group, with 31 December 2009 as the date of initial application. Management will assess the financial impact and adopt the new 'expected loss' impairment model from the mandatory effective date.

There are no other standards and interpretations that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

6.6 SUBSEQUENT EVENTS

On 23 January 2018, the ATO issued amended income tax assessments to the Company (refer to note 4.1).

Since the end of the financial year, the Directors have declared the payment of a fully franked final dividend of 4.0 cents, to be paid 26 April 2018 (refer to note 3.7).

Other than the matters described above, the Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 46 to 110 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 5.2 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 5.7.

Page 46 of the Annual Report confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors, after receiving the declarations required to be made by the Chief Executive and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001*.

Peter Cosgrove
Chairman

Sydney
15 February 2018

Independent Auditor's Report

pwc

To the members of HT&E Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Our opinion

In our opinion:

The accompanying financial report of HT&E Limited (the Company) and its controlled entities (together the Group) is 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 2017 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 31 December 2017
- the consolidated income statement for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Independent Auditor's Report

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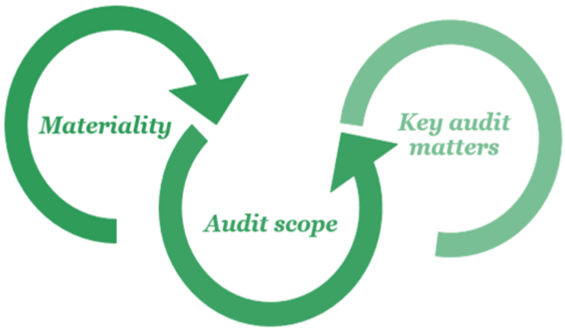
OUR AUDIT APPROACH

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit, we used overall Group materiality of $3,600,000, which represents approximately 5% of Group profit before tax from continuing operations excluding one-off/infrequently occurring transactions.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax from continuing operations because in our view, it is an important financial statement metric used in assessing the performance of the Group. We adjusted this benchmark for one-off/infrequently occurring transactions to reflect the normal underlying performance of the Group.
- We selected 5% based on our professional judgement, noting that it is also within the range of commonly accepted profit related thresholds for listed companies.

Audit Scope

- The Group audit is aligned with the divisional structure of HT&E Limited. Australian Radio Network and Adshel were identified as significant components for the purpose of our audit due to their financial significance to the Group.
- The nature, timing and extent of audit work required on each component of the Group was determined by the components' risk characteristics and financial significance to the Group and consideration of whether sufficient evidence had been obtained for our opinion on the financial report as a whole. The audit work involved:
  - an audit of the Australian Radio Network and Adshel financial information
  - an audit of one or more of the other component's account balances, classes of transactions or disclosures
  - analytical procedures performed at the Group level
  - testing of key controls operated at Group Financial Services (the Group's shared service centre in New Zealand)
  - further audit procedures at a Group level, including over the consolidation of the Group's reporting units and the preparation of the financial report.
- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

Independent Auditor's Report

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- For the work performed by other PwC network firms operating under our instructions, we determined the level of involvement we needed to have in the audit work at those locations to be satisfied that sufficient audit evidence had been obtained. We communicated regularly with these component audit teams during the year through face-to-face meetings, phone calls, and written instructions where appropriate. We also met with local management of each financially significant operation and The Group Financial Services shared service centre.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	How our audit addressed the key audit matter
Taxation of New Zealand branch royalty income *(Refer to note 4.1)* The Australian Tax Office (ATO) is auditing the licensing of New Zealand mastheads by a New Zealand branch of one of the Group's Australian entities. The ATO has challenged the Group's treatment of the royalty income received by the New Zealand branch in respect of the mastheads as being non-assessable, non-exempt income for Australian tax purposes. Subsequent to year end, the ATO issued amended assessments with tax adjustments of $72m plus interest of $32m in respect of the 31 December 2009 to 31 December 2012 tax years. The ATO intends to issue assessments for the 31 December 2013 to 31 December 2016 tax years. We considered this a key audit matter because of the significant judgement required by the Group in estimating the incidence and quantum of tax liabilities which are subject to the future outcome of assessments by the ATO and associated potential legal processes as well as the judgement involved in ensuring appropriate disclosure of the matter in the financial report.	Our audit procedures included: • examining correspondence between the Group and the ATO • examining correspondence between the Group and its external advisors and a consideration of their independence and technical competence • together with PwC tax experts we considered the conclusions reached by the Group's external advisors. This included interviewing the advisors and comparing their conclusions to supporting evidence • agreeing the Group's potential tax exposure for the 31 December 2009 to 31 December 2012 tax years to the amounts in the amended assessments issued by the ATO for the respective tax years • recomputing the Group's potential tax exposure for the 31 December 2013 to 31 December 2015 tax years based on amounts included in the tax returns lodged by the Group for the respective tax years • recomputing the Group's potential tax exposure for the 31 December 2016 tax year to the Agreement for Licence of Trademarks between Wilson & Horton Finance Pty Limited – New Zealand Branch and APN New Zealand Limited • assessing the adequacy of the Group's disclosure of the matter in the financial statements in light of the requirements of Australian Accounting Standards

Independent Auditor's Report

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Key audit matter	How our audit addressed the key audit matter
Finalisation of acquisition accounting for Adshel and Conversant Media *(Refer to note 5.1)* The Group accounted for the acquisitions of Adshel Street Furniture Pty Limited (Adshel) and Conversant Media Pty Limited as business combinations under Australian Accounting Standards during the year ended 31 December 2016. This permits a 12 month provisional accounting period, during which the initial acquisition accounting can be finalised to reflect the facts and circumstances that existed at the acquisition date. The 12 month provisional accounting period expired in the current year by which time the Group had finalised its acquisition accounting for the valuation of separately identifiable intangibles and goodwill for both acquisitions and re-assessed the measurement of contingent consideration for Conversant Media Pty Limited. We determined this to be a key audit matter due to the magnitude of the amounts involved and the judgement required by the Group in determining the fair value of the assets acquired and the liabilities assumed.	Our audit procedures in respect of the finalisation of the acquisition accounting included the following: • in respect of the licences and relationships and brands intangible assets, agreeing forecast cash flows used in the Group's fair value calculations to Board approved budgets and comparing the discount rate to other comparable companies • evaluating the Group's historical ability to forecast future cash flows by comparing budgeted amounts to reported actual results for the past year • comparing the growth rates used in the Group's fair value calculations to independent industry forecasts and historical growth rates • comparing contract renewal probabilities used in the Group's fair value calculations to historical retention rates • testing the mathematical accuracy of the Group's fair value calculations • assessing the fair value of the contingent consideration by comparing the performance thresholds for contingent payments within the Share Purchase Agreement to the most recent forecast of Conversant Media's performance within the Board approved budgets
Impairment of intangible assets in the Adshel Australia Cash Generating Unit *(Refer to note 2.1)* At 31 December 2017 the Group had $127.4m of goodwill and $61.7m of other finite life intangible assets relating to the Adshel Australia Cash Generating Unit (CGU). We determined the recoverable amount of the Adshel Australia CGU to be a key audit matter due to the loss of a significant contract which has resulted in Adshel Australia revising its forecasts downwards and recognising a significant impairment charge. Complex and subjective judgements are required by the Group when determining the forecasts that underpin the calculation of the recoverable amount of the CGU. These judgements include estimates around future growth rates, contract renewal probabilities and the appropriate discount rate.	We performed the following procedures, amongst others: • agreeing forecast cash flows used in the impairment assessment to Board approved budgets. • evaluating the Group's historical ability to forecast future cash flows by comparing budgeted amounts to reported actual results for the past year • testing whether the discount rate appropriately reflected the risks of the CGU by comparing the discount rate to other comparable companies • comparing the growth rates used in the CGU's cash flow forecasts to independent industry forecasts and historical growth rates • comparing contract renewal probabilities to historical retention rates • testing the mathematical accuracy of the impairment assessment model • evaluating the adequacy of the disclosures made in note x, including those regarding the key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards

Independent Auditor's Report

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, including Performance Highlights, Chairman's Review, Chief Executive Officer's Review, Directors' Report, Shareholder Information, and Five Year Financial History, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

REPORT ON THE REMUNERATION REPORT

Our opinion on the remuneration report

We have audited the remuneration report included in pages 29 to 44 of the Directors' Report for the year ended 31 December 2017.

In our opinion, the remuneration report of HT&E Limited for the year ended 31 December 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

MGraham

MK Graham
Partner

Sydney
15 February 2018

Shareholder Information

1. SHARES

(A) SUBSTANTIAL SHAREHOLDERS

The following information is extracted from substantial shareholder notices received by the Company as at 12 February 2018:

Name	Number of shares
Allan Gray Australia Pty Ltd	55,543,824
News Limited	40,682,106
Perpetual Limited	44,148,194
Challenger Limited (and its various entities including NovaPort Capital Pty Ltd)	18,772,665
United Super Pty Ltd	15,465,399

(B) TOP 20 HOLDERS OF FULLY PAID ORDINARY SHARES:

The following information is extracted from the share register as at 12 February 2018:

Name	Number of shares	% of total shares
HSBC Custody Nominees (Australia) Limited	95,627,475	30.96
J P Morgan Nominees Australia Limited	59,635,744	19.31
Citicorp Nominees Pty Limited	44,222,416	14.32
News Limited	41,823,884	13.54
National Nominees Limited	19,445,800	6.29
BNP Paribas Nominees Pty Ltd	12,623,607	4.09
BNP Paribas Noms Pty Ltd	5,280,823	1.71
UBS Nominees Pty Ltd	3,856,491	1.25
Citicorp Nominees Pty Limited	1,099,159	0.36
UBS Nominees Pty Ltd	1,018,419	0.33
BNP Paribas Nominees Pty Ltd	1,005,000	0.33
Pacific Custodians Pty Limited	741,418	0.24
AMP Life Limited	500,745	0.16
Strategic Value Pty Ltd	388,762	0.13
HSBC Custody Nominees (Australia) Limited	380,256	0.12
Warrill Nominees Pty Ltd	275,000	0.09
Leh Soon Yong	235,400	0.08
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd Drp	224,187	0.07
Mr Peter Raymond Davies	210,000	0.07
Naude Super Pty Ltd	200,000	0.06
S M & R W Brown Pty Ltd	200,000	0.06
Total	288,994,586	93.55

(C) ANALYSIS OF INDIVIDUAL ORDINARY SHAREHOLDINGS AS AT 31 JANUARY 2018:

Holding	Number of shareholders	% of total shareholders	Number of shares	% of total shares
1 to 1,000	4,425	68.39	1,186,331	0.38
1,001 to 5,000	1,255	19.40	2,955,477	0.96
5,001 to 10,000	368	5.69	2,778,843	0.90
10,001 to 100,000	385	5.95	10,783,001	3.49
100,001 and over	37	0.57	291,208,440	94.27
Total	6,470	100.00	308,912,092	100.00

There were 2,973 holders of less than a marketable parcel.

Shareholder Information

(D) VOTING RIGHTS OF SHAREHOLDERS

The voting rights are governed by rule 16 of the Constitution. In summary, shareholders are entitled to vote in person or by proxy, attorney or corporate representative at any meeting of shareholders of the Company on:

- a show of hands – one vote per shareholder; and
- a poll – one vote per share.

2. OPTIONS

There are no issued options.

3. DIRECTORS' INTERESTS

The relevant interest of each Director in the securities of the parent entity as at 12 February 2018 was:

Director	Number of shares	Number of options
PM Cosgrove	155,381	–
P Connolly	65,935	–
PD Cullinane	31,286	–
C Holman	57,244	–
AL Templeman-Jones	10,116	–
CJ Davis	71,873	–

4. OTHER INFORMATION

STOCK EXCHANGE LISTING

HT&E shares are listed on the Australian Securities Exchange (ASX) (code HT1). On 21 February 2017, the Company delisted from the Main Board of the New Zealand Stock Exchange.

ENQUIRIES

Shareholders or investors with any enquiries concerning their shareholding, shareholder details, dividend information, or administrative matters, should direct their enquiries to the Share Registry. Contact details for the Share Registry appear on the inside back cover.

DIVIDEND PAYMENTS

Dividends to shareholders may be paid direct to any bank, building society or credit union account in Australia. Shareholders who wish to receive dividends by electronic transfer should advise the Share Registry.

TAX FILE NUMBER (TFN)

The Company is obliged to deduct tax from unfranked or partially franked dividend payments to shareholders resident in Australia who have not supplied their TFN to the Share Registry. To avoid this deduction, you should advise the Share Registry of your TFN.

REGISTER YOUR EMAIL ADDRESS

Shareholders are encouraged to register their email address to receive dividend advices, notification of availability of annual reports, notices of meeting, access to online voting and other shareholder communications. To register, shareholders should go to www.linkmarketservices.com.au, log in to their shareholding through the Investor Centre and select the "All communication by email" option.

Other services available to shareholders at this website include: viewing details of their shareholdings, updating address details, updating bank details and obtaining a variety of registry forms.

CONSOLIDATION OF HOLDINGS

Shareholders who have multiple issuer-sponsored holdings and wish to consolidate their separate shareholdings into one account should advise the Share Registry in writing.

Shareholder Information

CHANGE OF NAME OR ADDRESS

Shareholders who are issuer sponsored should notify the Share Registry in writing of any change in either their name or registered address. If a change of name has occurred, it will be necessary to supply a certified copy of the relevant deed poll or marriage certificate. Shareholders sponsored by a broker (CHESS) should advise their broker of the amended details.

DIVIDEND REINVESTMENT PLAN (DRP)

The Directors have determined to suspend the DRP effective from 15 February 2018.

Shareholders may elect to participate in any future DRP for all or part of their shareholding. Shareholders wishing to participate in any future DRP should contact the Share Registry. Terms and conditions of the DRP, the DRP Guide and forms to apply for, vary or cancel participation in the DRP are also available on the Company's website, www.htande.com.au.

INVESTOR INFORMATION

The Annual Report is the most comprehensive publication with information for investors. Copies of the 2017 Annual Report and 2017 Shareholder Review may be obtained by contacting the Share Registry or on the Company's website, www.htande.com.au. Other financial and relevant information, including press releases on financial results and Chairman's addresses, are available from the corporate office in Sydney, or at the Company's website, www.htande.com.au.

Five Year Financial History

The below reflects the operations of the Group and should be read in conjunction with the 2017 financial statements, together with the accompanying notes. Certain comparative financial information for 2017 has been restated for the share consolidation and the bonus element included in the 2016 equity raisings.

The Balance Sheet at 31 December 2016 does not include the assets and liabilities of the entities divested as part of the demerger of NZME and the entities disposed as part of the ARM sale. It does include the assets and liabilities acquired as part of the purchase of the remaining 50 per cent of Adshel and the acquisition of Conversant Media. Equity for 2016 was impacted by the demerger of NZME and equity raisings.

Several financial measures are used by the Group to monitor financial performance against the overall strategy, including profit after taxation attributable to members for the parent entity and underlying EBITDA.

	2017 $'m	2016 $'m	2015 $'m	2014 $'m	2013 $'m
Income statement					
Total revenue[1]	472	658	850	843	817
EBITDA[2]	118	91	166	164	163
Depreciation and amortisation	38	8	35	33	33
EBIT[3]	80	83	131	131	130
Net interest expense	9	18	32	36	33
Adjusted net profit[4]	43	63	70	75	60
Statutory net profit/(loss)	(117)	(6)	(10)	11	3
NPATA[5]	54	66	78	81	64
Balance sheet					
Equity excluding non-controlling interests	586	801	426	434	359
Total assets	1,028	1,145	1,134	1,129	1,255
Total borrowings	134	163	477	497	457
Net debt	115	143	456	458	437
Statistical analysis					
EBITDA/total revenue[1]	25.1%	20.0%	19.6%	19.3%	18.5%
Net debt/EBITDA (times)	1.0	1.2	2.7	2.8	2.7
Interest cover based on EBITDA (times)	14.9	9.8	5.2	4.5	4.9
Basic earnings per share (cents)[6]	13.9	31.4	44.4	49.5	50.2
Basic earnings per share based on NPATA (cents)[6]	17.6	33.1	49.5	53.8	54.2
Dividend per share (cents)	7.0	4.0	–	–	–
Dividend payout ratio[7]	50%	13%	0%	0%	0%
ROIC[8]	13.4%	9.6%	17.3%	17.2%	19.1%
No. of shares on issue ('000)	308,912	307,494	1,029,041	1,029,041	661,527
No. of shareholders[9]	6,449	6,640	6,818	7,166	8,270
Market capitalisation ($'m)	581	873	545	859	298
Market price per share at 31 December	$1.88	$2.84	$0.53	$0.83	$0.45

(1) Total revenue including discontinued operations.
(2) Earnings before interest, tax, depreciation and amortisation from continuing operations and before exceptional items.
(3) Earnings before interest and tax from continuing operations and before exceptional items.
(4) Net profit attributable to owners of the parent entity after tax and before exceptional items.
(5) Net adjusted profit after tax before amortisation and exceptional items.
(6) Earnings per share are before exceptional items. Comparative EPS has been restated for the share consolidation and the bonus element included in the 2016 equity raisings.
(7) Before exceptional items.
(8) Earnings before interest, tax and depreciation from continuing operations before exceptional items.
(9) As at 31 December.

Corporate Directory

HT&E LIMITED
ABN 95 008 637 643

DIRECTORS

Peter Cosgrove (Chairman)
Paul Connolly
Peter Cullinane
Christine Holman
Anne Templeman-Jones
Ciaran Davis (CEO & Managing Director)

COMPANY SECRETARY

Yvette Lamont

REGISTERED OFFICE

Level 4, 100 William Street
SYDNEY NSW 2011
Telephone: +61 2 9333 4999
Facsimile: +61 2 9333 4900

SHARE REGISTRY

Link Market Services Limited
Level 12, 680 George Street
SYDNEY NSW 2000
Locked Bag A14
SYDNEY SOUTH NSW 1235

Telephone
(Australia) 1300 553 550
(International) +61 1300 553 550

Fax
(Australia) 02 9287 0303
(International) +61 2 9287 0303

Email
registrars@linkmarketservices.com.au

Website
www.linkmarketservices.com.au

AUDITORS

PricewaterhouseCoopers
One International Towers Sydney
Watermans Quay
BARANGAROO NSW 2000

PRINCIPAL BANKERS

Australia and New Zealand Banking Group
Bank of China
Commonwealth Bank of Australia
Credit Suisse
HSBC
J.P. Morgan Chase Bank
National Australia Bank
State Bank of India
Sumitomo Mitsui Banking Corporation
Westpac Banking Corporation

Notice is given that the Annual General Meeting of HT&E Limited will be held at

PricewaterhouseCoopers
Level 17, One International Towers Sydney
Watermans Quay
Barangaroo NSW 2000
on Monday, 7 May 2018
at 10:00am

www.htande.com.au