2019
ANNUAL REPORT

HT&E LIMITED ABN 95 008 637 643

Renewed focus & redefined strategy

HT&E owns one of Australia's leading Broadcast and On-demand audio companies and outdoor assets in Hong Kong

8.6cps
full year fully franked dividend

↑1%
underlying EPS

#1

commercial national metro radio network

GfK Radio Ratings (share), Metro Survey 8, 2019

$111.0m

net cash at 31 December 2019

5.3m

national weekly radio audience

GfK Radio Ratings, Metro Survey 8, 2019

↑34%

iHeartRadio active users

Nielsen DRM Panels

We aim to deliver Australia's most complete audio offering. We are everywhere our listeners are, providing the greatest breadth and depth of audio content in Australia.

Our suite of digital and social assets are the online home to Australia's leading radio stations and talent, providing highly engaged entertainment content and news, complementing the on-air experience our stations are known for.

Our redefined structure

Here, There & Everywhere

Chairman's Report

ARN's reach is the highest it has ever been and it is well placed to capitalise on the significant market opportunity across the audio landscape.

I am pleased to present this annual report of HT&E's performance in 2019.

It has been a challenging year for Australian media companies and HT&E has not been immune from the impact of subdued advertising markets. Against this backdrop, HT&E's strategic focus has been to strengthen its core Australian radio and audio operations, as it exits from non-core investments, and to maximise shareholder value.

HT&E's radio asset, Australian Radio Network (ARN) is the best placed audio company in Australia to capitalise on the significant market opportunity across the audio landscape, delivering truly integrated content to Australian audiences, based on their own choices and interests, across radio, music streaming and podcasting.

Its mission is to deliver Australia's most complete audio offering, to be everywhere our audiences want to be with the content they want to consume; and we have the brands, technology investments and talent to deliver on this for our listeners, advertisers and shareholders.

Well positioned in a challenging media market

While the Australian media sector experienced tough conditions in 2019, ARN took a number of steps to grow its market share and strengthen its long term positioning as audio consumption expands.

Revenues and earnings were impacted by market conditions but the business reaffirmed its position as the #1 rating metropolitan radio network in Australia, grew commercial market share in the final quarter as a result of this ratings success and remains highly profitable and cash generative.

Audio consumption is expanding among Australian consumers and ARN is unique in the Australian market providing radio, music streaming and podcasts all on the one platform. Extending our iHeartRadio licence and partnership to 2036 plays into our listener, advertiser and data strategy by expanding audience reach and providing better insights and enhanced return metrics for our clients in the growing audio landscape.

Delivering ratings success

ARN delivered a market leading ratings performance in 2019 and was the overall #1 metropolitan network in the country. Finishing the year with four consecutive #1's was our best performance since 2015, and we achieved the highest reach in the history of the network.

Great talent is the foundation of any radio network and derisking the business by extending key talent contracts in Sydney and Melbourne was a high priority for management providing the business with a solid platform for future investment and commercialisation.

Financial position and capital management

The Board and management remain very focused on capital allocation and our balance sheet is one of the strongest in the sector with $111 million in net cash and a finance facility with $250 million undrawn capacity. We increased our dividend, now paying between 60% and 80% of our profit to shareholders and recommenced our on-market share-buyback which is improving returns to investors.

In line with our strategy, significant progress was made in 2019 in reducing corporate costs and simplifying the management structure between HT&E and ARN with the integration of a number of HT&E corporate roles into ARN operations.

Australian Taxation Office dispute

We remain confident in our position and are prepared to pursue the New Zealand Branch dispute matter fully through litigation. Final resolution of this matter could take several years.

Non-core assets

Following the sale of our out-of-home business Adshel in late 2018, the decision was made to focus on audio, resulting in a strategic review of operations and the commencement of an orderly exit from non-core assets.

In 2019, we exited from our esports investment, Gfinity Esports Australia; we disposed of our digital publishing business, The Roar, and our interest in VR start-up Unbnd; and put on hold a process to sell our Hong Kong outdoor asset, whose performance has been impacted by the recent protests in that market. We have a 7.3% shareholding in Lux Group that is currently running a sale process; and we continue to assess our options in relation to our 25% stake in Soprano, an international software vendor based in Sydney with operations across 14 countries.

The year ahead

While signs point to the advertising market continuing to be challenging in 2020, HT&E is well placed through its leadership position and the strength of its management team, which has a clear focus on creating the leading audio entertainment network in Australia, and we continue to explore our options for remaining non-core assets.

We believe media markets will continue to consolidate in Australia and we maintain a close eye on the evolving landscape. The strength of our balance sheet means we have the potential to explore the right strategic opportunities for the business should they arise.

Within our Board, we have a team of highly effective Directors with the diverse set of skills and business experience to drive shareholder value. We continue to observe the evolving landscape and continually assess HT&E's options for the right opportunity.

On behalf of the Board, I would like to thank you, our shareholders for your continued support and assure you that our focus is on providing the best possible returns on your investment over the long term.

I would also like to thank our staff for their continued commitment and dedication to the Company.

Hamish McLennan
Chairman

Within our Board, we have a team of highly effective Directors with the diverse set of skills and business experience to drive shareholder value.

Chief Executive Officer's Report

ARN was repositioned in 2019 as a leader in audio entertainment in Australia, enabled through our 'Defining Audio' commercial proposition.

2019 financial result

2019 statutory revenue from continuing operations was down seven per cent to $252.7 million, impacted by challenging economic conditions in both Australia and Hong Kong. EBITDA from continuing operations before exceptional items was up five per cent after adoption of AASB 16 *Leases*. Normalising for the impact of adopting AASB 16 *Leases*, EBITDA was down 17%. NPAT from continuing operations and before exceptional items decreased by seven per cent, down to $34.2 million.

Our businesses

Australian Radio Network (ARN)

#1 metropolitan network

Ratings momentum from 2018 continued in the year, culminating with ARN regaining the #1 national 10+ metropolitan radio network position. ARN held this position from Survey 5 to Survey 8, 2019 and finished the year with the #1 share position. The ongoing dominance of our Sydney duopoly, KIIS 1065 and WSFM, was complemented by significantly improved ratings in the key focus markets of Melbourne and Perth, providing a strong ratings and commercial platform into 2020. In Brisbane, we are excited to welcome back Robin Bailey and Terry Hansen as breakfast hosts on 97.3FM in 2020, one of that markets most successful and proven on-air teams.

Our strategy of recruiting and retaining the best talent in each market is critical to engaging with our audiences to drive ongoing ratings success. Multi-year contract extensions for Kyle & Jackie O, Jonesy & Amanda and Christian O'Connell were signed during the year, derisking ARN from the loss of key talent who will continue to deliver great content to our listeners, and provide our clients unrivalled access to Australia's top radio talent well into the next decade. Importantly, it will provide our business with a solid platform for future investment and commercialisation alongside our investment in the broader suite of audio content.

Challenging media and radio market

In 2019, the total media market declined by 5.3% with the radio sector back 6.2%. Following the Federal Election in May, economic sentiment deteriorated which in turn impacted consumer spending and advertising volumes across all forms of media in the second half of the year.

ARN was not immune with overall revenues and EBITDA down 5% and 13% respectively. EBITDA was down 17% normalising for the impact of lease accounting. Despite the radio market being down 9.8% in the second half, ARN grew its share of the total radio market.

Costs for the year were up 1%, on a like-for-like basis before the impact of lease accounting, with certain non-repeat savings from 2018 impacting second half performance. Cost management remains a key focus and an efficiency review completed in the second half will help to limit total cost growth in 2020.

Disposal of The Roar in 2019 was the result of a broad strategic review of our commercial proposition conducted in the second half.

The decision provides much needed capacity to focus on our core strengths and redeploy capital in areas with the best opportunity to grow future revenues across radio, podcasting and digital audio.

Unique position in audio landscape

ARN was repositioned in 2019 as a leader in audio entertainment in Australia, enabled through our 'Defining Audio' commercial proposition, with a mission to deliver the most complete audio offering for our audiences and advertisers across broadcast and digital audio.

Live, local radio remains the most popular choice of audio, but the proliferation of audio options including podcasting and streaming is exciting, with the potential to create more commercial inventory which can in turn be monetised.

The extension of the iHeartRadio licence, the world's largest and only all-in-one radio, music and podcast digital platform to 2036 further enhances ARN's unique position in the Australian audio market delivering strong tenure and confidence for a return on investments that will grow consumption and profitability.

We successfully commenced the integration of the platform with our traditional on-air broadcast assets which saw a 34% growth in usage, with over 2 million downloads of the app, 1.6 million registered users and over 6 million total listening hours a month, alongside the growing uptake in our first party data targeting and commercial offering.

iHeartRadio is now integrated with over 65 devices in Australia, and is one of only three radio apps that are integrated with Apple's Siri personal assistant.

Hong Kong (Cody)

After returning to profitability in 2018, Cody started the year strongly and was more than 200% ($0.6 million) ahead of prior year EBITDA on a like-for-like basis at the end of June.

Unfortunately, the political unrest and resulting protests in Hong Kong escalated in severity from June and, significantly impacted second half revenues. Tram shelter advertising assets at street level were particularly affected, sustaining regular damage during the protests. Revenues on the important Western and Eastern Harbour tunnels and other billboard assets were less impacted by the protests, but lowered on overall reduced advertiser demand in Hong Kong.

Revenues were down 20% while EBITDA was up on last year. Normalising for the impact of lease accounting, EBITDA declined $1.2 million to be break even for the year.

We continue to assess our options around our future investment in Cody, with a preference to exit the market in a reasonable period after the current political conditions moderate.

Non-core assets

Gfinity Esports Australia was closed in November 2019. Since its inception, two seasons of the Gfinity Elite Series were run successfully and the Supercar e-series launched in 2019. While the business achieved some significant and world leading results, the economics of esports in the Australian market had not delivered sustainable positive earnings. We do believe esports will become increasingly mainstream, but the sport in Australia is still in its infancy, with insufficient scale and audiences to develop a sustainable commercial model in the short to medium term. The decision to shut down esports enabled us to preserve capital for investment in our core audio business.

HT&E also exited its investment in Unbnd in September 2019. The business was at a critical stage in the development of a subscription service in partnership with the NBA and our exit allowed Unbnd the opportunity to secure a new strategic partner for the next stage of its growth. Should Unbnd be successful, the terms of the sale allow HT&E to share in its success.

Soprano, an independent software vendor in which HT&E holds a 25% stake, continued its strong growth during 2019, delivering record revenue and EBITDA growth in the first six months of the year. Soprano remains a highly profitable, growth business in an exciting sector and we continue to explore all options to maximise value for HT&E shareholders.

2020 focus

Our focus for 2020 is on strengthening HT&E's position as a leader in audio entertainment in Australia, leveraging our talent to build stronger audience, grow new audiences and expand content on the iHeartRadio platform, and using data, targeting and technology to grow our share of the radio advertising market and our share of the audio advertising market.

I would like to take this opportunity to thank all of our staff for their hard work and commitment through 2019. We are very fortunate to have a strong team of talented people who share our vision and passion for HT&E.

Ciaran Davis

Chief Executive Officer
& Managing Director

Operating & Financial Review

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

Overview

Group revenue from continuing operations decreased $19.1 million on last year, with both ARN and Cody Outdoor experiencing declines.

Group earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations increased by $3.8 million due to the impact of the new lease accounting standard AASB 16 *Leases*. Ignoring the effect of AASB 16, EBITDA would have been down 17% to $59.9 million.

On a like-for-like basis, EBITDA for 2019 was adversely affected by challenging advertising market conditions in Australia and political unrest in Hong Kong offset by the benefit of recent restructuring and reduced executive incentive payments contributing to lower corporate costs.

The statutory profit of $225.5 million in the prior period included nine months of trading activity, and a gain on sale of $164.8 million for Adshel, which was sold to oOh!media for $570 million on 28 September 2018.

Impact of adoption of AASB 16 Leases on Financial Performance

HT&E adopted AASB 16 *Leases* during the first half using the modified retrospective approach. Operating leases were capitalised onto HT&E's balance sheet and are now recognised as right-of-use assets and lease liabilities. Rental payments have effectively been recharacterised as depreciation and financing costs. The modified retrospective approach means comparative results have not been adjusted. More information on the adoption of AASB 16 is contained in the notes to the accounts and in HT&E's investor presentation released on 24 February 2020.

Key financial impacts on adoption of the new standard in 2019 include removal of rental costs ($15.7 million), mostly replaced with depreciation ($14.0 million) and financing costs ($2.3 million). However, impact on net profit before tax (NPBT) is limited ($0.7 million), though future lease changes may bear a more significant impact.

The impact on the Group financial position was the gross up of the balance sheet via recognition of lease liability ($59.1 million) and right-of-use asset ($51.0 million).

Changes to significant accounting policies and the impact of applying the new standard are described in note 1.

The following table summarises the impact of adopting AASB 16 *Leases* on the financial performance of the Group for the year.

The impact of adopting AASB 16 *Leases*

AUD million[1]	Result without adoption of AASB 16	Lease adjustment AASB 16[2]	As reported
Australian Radio Network	70.3	3.0	73.3
Hong Kong Outdoor	0.0	12.4	12.4
Investments and Corporate	(10.4)	0.3	(10.1)
EBITDA[3]	**59.9**	**15.7**	**75.6**
Depreciation and amortisation	(4.8)	(14.0)	(18.8)
Net interest expense	0.1	(2.3)	(2.3)
NPBT	**55.2**	**(0.7)**	**54.6**

1. Totals may not add due to rounding.
2. The lease adjustments have resulted in an improvement in EBITDA through a reduction in rental expense.
3. EBITDA from continuing operations and before exceptional items, represents the Group's total segment result.

Summary of financial performance

AUD million[1]	2019	2018	Change
Revenue	252.7	271.8	(7%)
Other income	6.7	7.4	(10%)
Share of profits of associates	2.5	0.5	>100%
Costs	(186.2)	(207.9)	(10%)
EBITDA[2]	**75.6**	**71.8**	**5%**
Depreciation	(18.2)	(3.9)	>100%
Amortisation	(0.6)	(0.8)	(26%)
EBIT[3]	**56.9**	**67.2**	**(15%)**
Net interest expense	(2.3)	(6.0)	(62%)
Profit before tax	**54.6**	**61.2**	**(11%)**
Tax expense	(16.1)	(19.0)	(16%)
Profit after tax	**38.5**	**42.2**	**(9%)**
Less: non-controlling interests	(4.3)	(5.5)	(21%)
NPAT attributable to HT&E shareholders	**34.2**	**36.7**	**(7%)**
Exceptional items net of tax[4]	(48.4)	0.9	(>100%)
Profit from discontinued operations	–	188.0	(100%)
NPAT attributable to HT&E shareholders	**(14.2)**	**225.5**	**(>100%)**
EBITDA margin	29.9%	26.4%	
Underlying basic EPS (cents)	12.0	11.9	
Full year dividend per share (cents)[5]	8.6	79.0	

1. Totals may not add due to rounding.
2. EBITDA from continuing operations and before exceptional items, represents the Group's total segment result.
3. EBIT from continuing operations and before exceptional items.
4. Commentary on exceptional items is included on page 9 and in note 2.3 and note 5 to the consolidated financial statements.
5. 2018 included a 72 cent special dividend for the Adshel sale.

Operating & Financial Review

Underlying Drivers of Performance

Australian Radio Network (ARN) revenues were down $12.2 million. While Radio's share of the advertising market is consistent and stable, the Australian advertising market was impacted by soft consumer sentiment, reduced access to consumer credit and low wages growth.

Hong Kong Outdoor (Cody) revenues were down $6.1 million with trading significantly affected by the recent political unrest in Hong Kong and the non-renewal at the end of 2018 for a material revenue contract accounting for $4.5 million.

Group costs from continuing operations before interest, tax, depreciation and amortisation, and exceptional items were down 10% to $186.2 million. The adoption of AASB 16 resulted in rental "savings" of $15.7 million, most of which arose in Hong Kong. Including the impact of AASB 16, costs at ARN were down 1% to $150.0 million. Ignoring the effect of AASB 16, costs would have been up 1% to $153.0 million. Savings from lower variable cost of sales in the softer advertising market, and marketing savings achieved part offset the impact of contracted talent and other cost increases and other non-repeat savings from 2018. Costs in Cody including the impact of AASB 16 declined 61% (on a local currency basis) to $12.4 million. Ignoring the effect of AASB 16, costs would have been down 22% (on a local currency basis) to $24.8 million driven by the non-renewed contract. Corporate costs declined 16% as a result of Group simplification, with savings secured in the second half in line with our aim to reduce corporate costs and simplify the management and operational structures between HT&E and ARN.

Segment earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations and before exceptional items were up 5% from the corresponding period.

Depreciation and amortisation increased from $4.6 million to $18.8 million, essentially due to the adoption of AASB 16. This resulted in EBIT from continuing operations and before exceptional items of $56.9 million compared with $67.2 million in 2018, a decrease of 15%. Normalising for the impact of the adoption of AASB 16, EBITDA and EBIT would have been down 17% and 18% respectively.

Resulting net loss after tax attributable to shareholders (NPAT) from continuing operations for the year was $14.2 million.

The business remains highly profitable and cash generative.

Cash flow generation

AUD million[1]	2019	2018	Change $
Operating cash flows and lease payments[2]	31.3	39.7	(8.3)
Deposit of tax in dispute	–	(50.7)	50.7
Investing cash flows	(9.6)	554.7	(564.3)
Net free cash flow[3]	**21.7**	**543.8**	**(522.0)**
Other financing cash flows	(39.2)	(424.7)	385.5
Cash at the beginning of the year	128.4	18.8	109.6
Effect of foreign exchange on cash	0.0	0.2	(0.2)
Cash flows from discontinued operations	–	(9.7)	9.7
Cash at end of year	**111.0**	**128.4**	**(17.3)**
Debt analysis			
Net cash	111.0	128.4	(17.3)

1. Totals may not add due to rounding.
2. Operating cash flows, before deposit of tax in dispute in 2018, plus principal repayments on finance leases accounted for under AASB 16 *Leases* from 1 January 2019. Lease payments were included in operating cash flows in 2018.
3. Excludes cash flows from discontinued operations and includes principal repayments on finance leases.

Exceptional items in 2019 comprise of non-recurring gains and losses arising during the year, including the losses on disposal of Unbnd and The Roar of $13.4 million and $1.5 million respectively, corporate and other restructuring related costs and provisions for uncertain tax treatments of $33 million. Further details are included in note 2.3 and note 5 to the consolidated financial statements.

Financial Position

The Group had net assets at 31 December 2019 of $529.9 million, which was down $49.8 million on last year driven by exit from non-core investments, dividends paid and on-market share buyback activity.

The ATO disputes are ongoing. The Company has recorded provisions for uncertain tax treatments of $33 million, in relation to two disputes in the 2019 balance sheet, with the amount reflecting probability-weighted estimates of the possible outcomes of each uncertainty. The estimate may not reflect the final outcome. The deposit of $50.7 million provided to the ATO in 2018, while the current dispute processes are being completed, remains a non-current asset on the balance sheet. Refer to note 5 to the consolidated financial statements for more information.

Cash and Capital Management

The balance sheet remains very strong with cash of $111.0 million and no drawn debt as at 31 December 2019.

The Group retains debt facilities with undrawn limits of $250.0 million, most of which were extended by a further 12 months to 2024 during the year and are sufficient to cover any adverse outcome on the ongoing disputes with the ATO.

The on-market share buyback continued throughout 2019 with over 5.4 million shares (1.9%) bought back at an average price of $1.65 per share.

Operating cash flows on a continuing basis, excluding the impact of the 2018 ATO deposit of $50.7 million, were up $5.1 million. Nine months of Adshel trading was included in the 2018 statutory net cash flow, which also includes $572.8 million received on the Adshel sale, with significant dividends paid and borrowings repaid subsequent to the sale.

Dividend policy was set between 60% and 80% of profit, reflecting the highly cash generative nature of our radio assets. A final dividend of 4.6 cents per share was declared for 2019 and is payable on 23 March 2020.

Review of Operations

#1FM

Breakfast KIIS 1065

GfK Radio Ratings, Metro Survey 8, 2019

ARN

2019 was a challenging year across the total advertising market in Australia. The radio market declined 6.2%, against a total media advertising market downturn of 5.3%. While advertising spend was down, radio audiences continued to grow, and in a subdued advertising market the power of radio continued to demonstrate its strength in delivering on clients' sales and marketing objectives.

During the year, we re-signed key talent to 2022 and beyond, setting up the business for growth. We had the strongest ever ratings for our network across the second half of the year and were the #1 FM national network for the final four surveys of the year. This reconfirmed our strategy to recruit and retain the best talent, delivering compelling content to highly engaged audiences, in turn further driving advertising revenues.

Ratings success in key markets

The strength of the Sydney duopoly of Kyle & Jackie O and Jonesy & Amanda continued, with ARN maintaining #1 and #2 position in the important breakfast timeslot across the majority of the year. Will & Woody, our national Drive show, remained the #1 overall Drive show in Sydney from Survey 6.

Melbourne has been a key business focus for a number of years and we are now seeing results. On GOLD104.3 in Melbourne, the Christian O'Connell Breakfast Show went to #1FM in Survey 7 (commercial), an incredible achievement for a new breakfast show and an overseas presenter previously unknown to Melburnians. Success in breakfast and across all dayparts has taken GOLD to #1FM (reach) overall for the final two surveys of the year, with the highest ever audience recorded for the station in Survey 7.

Jase & PJ on KIIS 101.1 continue to produce engaging content in what is a highly competitive local market and increased their breakfast audience year on year.

96FM in Perth reached its highest ever audience from Survey 8, finishing #1 for 25 to 54 audience following the introduction of a new breakfast show, Botica's Bunch, and a repositioned music offering from July. We are very encouraged by the speed of audience growth and ratings improvement in 2019.

In Brisbane, we are pleased to welcome back Robin Bailey and Terry Hansen to 97.3FM and remain focused on improving ratings and commercial success in an important market. The station and breakfast show finished #1 in Survey 8 providing a strong platform for the return of a proven breakfast show in January 2020. On the AM channel, 4KQ continues to engage audiences, holding the #1 commercial AM position throughout the year, finishing the year on 8.2% share.

In Adelaide, the breakfast team of Jodie & Soda on Mix102.3 remain #1FM, having held that position for 19 consecutive surveys. Mix102.3 regained #1 overall position in the final survey of the year, while ratings on our AM station, Cruise, remained steady finishing the year up 0.2% with 9.6% audience share.

ARN delivers the complete audio offering

During the year, there was strong growth in active users of iHeartRadio, our unique all-in-one digital radio, music streaming and podcasting audio platform, with total downloads increasing 22% to 2.2 million, and active monthly users increasing 34% to 728,000. Total monthly listening on the iHeart platform now exceeds 6 million listening hours.

We continue to grow iHeartRadio users through a strategy of on-station promotion, with four mentions of iHeartRadio every hour on every station, creatively driving registrations through listener competitions and prizing.

The iHeartRadio licence extension to 2036 affords tenure for further strategic investment, including enhancing our data capability to provide better insights and enhanced return metrics for clients.

IHeartRadio sets us apart from our competition in Australia, with a unique all-in-one on-demand audio offering, providing creative, data led addressable advertising solutions to our clients, and enabled by valuable anonymised iHeartRadio registered user data.

22%
iHeartRadio app downloads
App Stores (Apple & Google)

#1
commercial national metro radio network
GfK Radio Ratings, Metro Survey 8, 2019

ARN achieved its strongest ever ratings result, re-signed talent and continued to deliver the most complete audio offering to audiences and advertisers.

During the year, we further increased our data capabilities, establishing a dedicated Data and Analytics team and best practice data management platform.

While the revenue contribution from iHeartRadio remains small relative to that of traditional broadcast radio, we are confident we now have the strategic building blocks in place to deliver meaningful growth over the next three years.

We believe leveraging podcasting has significant potential for ARN giving advertisers the opportunity to amplify their campaigns using 'broadcast to podcast' strategies, powered by enhanced data and targeting capabilities.

Podcasting is currently a small contributor to total advertising revenues in Australia; however, with high levels of awareness and uptake by Australians, its significance will grow relatively quickly.

During 2019, we entered into an agreement with iHeartMedia that provides ARN exclusive commercial rights across all podcasts produced by the iHeart Podcast Network across all podcast platforms in Australia, giving ARN access to target over 3.5 million downloads a month in Australia, with popular titles including 'Stuff You Should Know', 'Stuff You Missed in History Class' and 'Disgraceland'.

ARN is well placed to deliver a complete audio solution to advertisers and clients, offering access to new audiences and advertising opportunities across traditional radio, on-demand radio, streaming and podcasting all within the one platform, iHeartRadio.

iHeart PODCASTS AUSTRALIA

HIGHEST EVER AUDIENCE
25 to 54 audience 96FM
GfK Radio Ratings, Metro Surveys 1-8 2008-2019

Review of Operations

Cody

After returning to profitability in 2018 for the first time since 2015, Cody started the year strongly and was more than 200% ($0.6 million) ahead of prior year EBITDA, on a like-for-like basis, at the end of June. Our exit from the final loss-making contract saw improved profitability on lower revenues. Key contracts, including the Western and Eastern Harbour tunnels and tram shelters, were all performing better year on year.

However, political unrest and the resulting protests in Hong Kong, which commenced in March and escalated in severity from June, significantly impacted second half revenues.

Cody continues to hold a portfolio of profitable contracts under a lean cost base and is well placed to benefit when current political conditions subside.

Investments

Emotive

In a tough local advertising market, the performance of creative content agency, Emotive, was negatively impacted in the year, with earnings down $0.3 million (45%).

In 2019 Emotive operated as a fully-integrated creative agency post its rebrand in December 2018 from a video content marketing specialist. The approach attracted new client wins, including Google, Mount Franklin, Sportsbet and Australian Turf Club (amongst others), whereby Emotive delivered creative services beyond film. Emotive was also retained by Optus on its agency roster for an additional three years from September 2019 and successfully pitched to retain the Audible account for 2020. This provides Emotive with a strong client base to launch into 2020.

To further leverage and differentiate Emotive's creative "Social to Scale" process, during the period a strategic partnership was agreed with AI-powered measurement company Realeyes, whose facial coding technology will be integrated into Emotive's proprietary Brand Resonance Dashboard (BRD) software. This allows Emotive to test the emotional intensity of long and short-form creative on both mobile and desktop as a whole, and on a second-by-second basis, in combination with real-time social performance from the single portal. Emotive plans to invest further in the development of the BRD throughout 2020.

In addition, throughout 2020, Emotive will evolve its strategic offering, events and activation business along with further refinement and on-boarding of its "Social to Scale" creative process.

Soprano

Soprano, an independent software vendor in which HT&E holds a 25% stake, had record revenue and earnings growth.

The secure messaging business provides a communication platform as a service offering for enterprise and government customers across 14 countries, and has been operating for 20 years.

HT&E have held an investment since 2001. Soprano is non-core to the Company's strategy and we will continue to work with the business to explore options to maximise value for HT&E shareholders.

Western Harbour Tunnel in Hong Kong

Corporate Social Responsibility

Our people are our key asset and we seek to continuously engage with the communities we operate in.

ARN delivered Community Service Announcements worth

$9m

Empowering our teams

At HT&E, we understand our people are the most important asset. Our success is driven through the individual and collective contributions of our people. As a business we have a dedicated focus on continuous learning, creating positive employment culture, emphasising diversity and establishing a respectful working environment for all.

Examples of how we empower and invest in employees growth and development:

- As part of our commitment to diversity and a healthy work life balance we offer flexible work practices and paid parental leave.
- We have a dedicated focus on learning and personal development offering study financial assistance to employees and dedicated study leave days.
- We are committed to supporting communities and helping our employees find ways to work with a range of not-for-profit organisations. Offering the benefit of a charity leave day and creating charitable initiatives like ARN Goodness are some examples.

Giving back to our communities

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

Community Service Announcements (CSAs) allow us as a business to give back to the community by helping raise awareness on community and health issues, as well as aid and relief services. Fundraising events are also promoted via CSAs, giving our audiences the opportunity to get involved and contribute to charities and community events. These charities include Family Peace Foundation, Australian Red Cross, The Salvation Army, Sydney Children's Hospitals Foundation, Surf Lifesaving Australia, McGrath Foundation, Cure Cancer Australia, Heart Kids, Batyr and many more.

Case studies

Mardi Gras and Midsumma Festival

ARN is committed to and celebrates diversity, inclusion and equality within our workplace. We recognise the importance of creating an environment where our employees are actively encouraged and supported to bring their authentic selves to work each day, a workplace where everyone feels a sense of belonging and is valued.

This commitment is demonstrated via our various partnerships with the LGBTQIA+ community, manifesting itself culturally within our workplaces and amplified to our audiences via each of our channels (or platforms).

Sydney Gay and Lesbian Mardi Gras (SGLMG)

KIIS 1065 has been a proud principal partner of SGLMG since 2017 with a presence in the organisation's Fair Day and entering a float into the Mardi Gras parade. The KIIS 1065 float featured Kyle & Jackie O along with ARN staff, family members and friends who were given the opportunity to march. Our support and partnership with the SGLMG is also extended through airtime, digital and social platforms and various initiatives amplifying our support both internally and externally.

Melbourne's Midsumma Festival

ARN are also a major partner in Melbourne's Midsumma Festival celebrating the LGBTQIA+ arts, culture and community. The partnership included an activations presence for KIIS 101.1 at the festival with staff and key talent also participating in the Pride March.

2019 Gold Appeal

ARN was once again a proud partner of the Sydney Children's Hospitals Foundation in 2019, helping to raise funds for the 2019 Gold Appeal. Led by WSFM's Jonesy & Amanda, ARN delivered a six week campaign, incorporating talent voiced promotional spots and live mentions. Support was also provided across KIIS 1065 and The Edge 96.ONE throughout May and June, with live mentions and online and social activity.

A CSA schedule on all three stations complemented the promotional support with a value over $230,000 in airtime.

Abseil for Youth

This year eight ARN team members abseiled down 1 Market Street (a 33 floor/135 metre skyscraper), to help raise much needed funds for young people with substance addiction, mental illness, homelessness and unemployment, raising much needed funds for Abseil for Youth.

Corporate Social Responsibility

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.

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.

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.

ARN Goodness

Launching in 2017, ARN Goodness provides all ARN employees the opportunity to drive, collaborate, contribute and support the hard work of multiple charities. Employees are encouraged to participate by taking up a charity day to devote their time, skills and expertise to a charity of their choice. An example of this is through our work with leading media charity UNLTD. We work with two specific charities aimed to decrease youth disadvantage, Batyr and Musicians Making A Difference (MMAD).

Nationally, we partner with OzHarvest on promoting food education and sustainability. This year our ARN Executive Leadership team participated in the CEO CookOff raising over $22,000 to assist OzHarvest to continue the important work they do in providing meals for people in need. Our ARN on-air talent KIIS FM's Yumi Stynes and Edge 96.ONE's Mike Etheridge and Emma Lisbona also supported OzHarvest by donating their time as emcees during the event.

Case studies

Batyr Blue Tie Ball

Staff volunteered for the second year running at the Batyr Blue Tie Ball. KIIS FM network drive hosts Will & Woody also volunteered their time by emceeing the ball.

Ricochet Ball

ARN participated in the Ricochet Ball to raise money for a variety of charities including National Breast Cancer Foundation, Gunawirra, Musicians Making A Difference (MMAD) and Gurrumul Yunupingu Foundation.

PJ's Fight Against Cyber Bullying

To raise awareness and fight against online bullying, KIIS 101.1's PJ Harding entered the boxing ring against AFLW legend and boxing champ Tayla Harris. The match came about after Tanya was a guest on Jase and PJ's Breakfast show and spoke openly about Cyber Bullying and her personal passion for boxing.

PJ and Tanya battled it out in the ring over three, two minute rounds with PJ being declared as the overall winner. The fight was live streamed across all KIIS 101.1 socials engaging thousands of viewers from across the country, and amplifying positive social media personal messages.

Flinders Foundation

In February 2019, Jodie & Soda's aim was to raise much needed funds for the Flinders Foundation, to establish a new Cancer Wellness Centre. This centre was to provide much needed support for cancer patients and their families during treatment.

Jodie, Soda and the Mix 102.3 team raised over $230,000 and set a Guinness World Record for the longest time spent on a Ferris Wheel. Soda successfully spent 52 hours and three minutes on the Mix 102.3 Ferris Wheel. The event was broadcasted on Channel 7 Adelaide News and on Channel 10's The Project and generated thousands of social media messages on the Mix 102.3 Instagram & Facebook Pages.

Bushfire Relief

The ARN News Network provided extensive coverage of the intense bushfire season in 2019, with a focus on local news updates in each market. News bulletins contained detailed information to inform and help listeners who may be directly impacted by bushfires. Throughout the summer, daily assessments and decisions were made to either extend news coverage into the evening and/or increase the frequency of news updates during bushfire emergencies.

The ARN news team displayed a commitment to localism and quality journalism during the bushfire crisis and demonstrated a culture which values teamwork and community engagement. In addition, all of our breakfast shows and key talent have been focused on raising funds and awareness for worthy initiatives to help fundraising activities and highlight the contribution of many brave Australians.

Board of Directors

Hamish McLennan

Chairman of the Board and Non-executive Director
(since 30 Oct 2018)

Hamish McLennan is an experienced media and marketing executive who brings unparallelled expertise to the Board, given the global roles he has held and his depth of understanding of the changing media landscape and the demands of advertisers. He has a proven track record as an outstanding leader across the media and advertising sectors.

Previous roles Hamish has held include Executive Chairman and Chief Executive Officer of Ten Network Holdings from 2013 to 2015, Executive Vice President for News Corporation in Sydney and New York from 2012 and 2013 and Global Chairman and CEO of Young & Rubicam, a division of WPP, the world's largest communications services group from 2006 to 2011.

Committees

Audit & Risk
Remuneration, Nomination and Governance

Other Directorships and offices

Director of REA Group Ltd (Chairman), Magellan Financial Group Limited, Claim Central Pty Limited and Garvan Institute of Medical Research (Fundraising Board).

Previous directorships of other Australian listed companies (last three years)

iProperty Group Pty Ltd (from 16 February 2016 to 6 February 2019) (delisted).

Ciaran Davis

CEO & Managing Director
(since 24 Aug 2016)

Ciaran Davis is responsible for the strategic and operational direction of the business. He has transformed a business with large debt and a declining asset portfolio centred on traditional publishing, into one of the most exciting media businesses in Australia today, with a strong balance sheet.

Prior to becoming CEO of HT&E, Ciaran spent five years as CEO of ARN repositioning the business to become the number one metropolitan radio operator in Australia. He has 20 years' media experience working in over 15 countries throughout Europe and the Middle East.

Other Directorships and offices

Director of a number of HT&E subsidiaries and joint venture companies and The Australian Ireland Fund Ltd.

Previous directorships of other Australian listed companies (last three years)

Nil.

Belinda Rowe

BA

Non-executive Director

(since 5 Feb 2019)

Belinda Rowe has worked across the marketing, communications and media industry in a number of global roles (most recently at Telefonica O2 UK a leading UK telecommunications company with 32 million customers leading their Brand and Marketing Communications).

Belinda was one of the top global executives at Publicis Media, one of the largest media communications groups in the world. She has a strong understanding across international marketing, communication, media and digital having developed a business and digital transformation capability and successful client practice in her global role at ZenithOptimedia, part of Mojo – an iconic communications group. She also created a unique content marketing business across 32 markets within Publicis Media, advising on digital capabilities including programmatic, content, mobile, social and the application of data and technology.

Belinda was a key member of the Global Management Executive team of Publicis Media and ZenithOptimedia, as well as previously chairing the UK leadership team of CEOs of all the Publicis Media businesses. Prior to moving to the UK in 2009 she was CEO of ZenithOptimedia, for 10 years in Australia.

Committees

Audit & Risk
Remuneration, Nomination and Governance

Other Directorships and offices

Nil.

Previous directorships of other Australian listed companies (last three years)

Nil.

Paul Connolly

BComm, FCA

Non-executive Director

(since 18 Oct 2012)

Paul Connolly 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, an Irish telecommunications company, from 1997 to 2000, and then a Director of Digicel Limited from 2000 to 2006, a Caribbean-based telecommunications company. In addition, he was a Director of Melita Cable PLC from 2007 to 2016 and a Director of Independent News & Media PLC from 2009 to 2018. From 1987 to 1991, he held the position of Financial Controller of Hibernia Meats Limited and prior to that, he worked with KPMG as an accountant.

Committees

Remuneration, Nomination and Governance (Chair)
Audit & Risk

Other Directorships and offices

Director of Polaris Principal Navigator Ltd (private Irish company), Connolly Capital Limited (Chairman), Tetrarch Capital Limited (Chairman), Communicorp Group Ltd, Business & Finance (private Irish business media group), UNICEF Ireland (Chairman) and Neon Century Limited (private UK company) (Chairman).

Previous directorships of other Australian listed companies (last three years)

Nil.

Roger Amos

FCA, FAICD

Non-executive Director

(since 30 Nov 2018)

Roger Amos is an experienced non-executive Director with extensive finance and management experience. He is Chairman of Contango Asset Management Limited, a non-executive Director of REA Group Ltd and a non-executive Director of 3P Learning Limited. At REA Group Ltd, he is the Chairman of the Audit, Risk and Compliance Committee and a member of its Human Resources Committee.
At 3P Learning Limited, he is the Chairman of the Audit and Risk Committee and a member of its Nominations and Remuneration Committee. Previously, he was a Director of Austar United Communications Limited and Enero Group Limited. He had a long and distinguished career with international accounting firm KPMG for 25 years as a partner in the Assurance and Risk Advisory Services Division. While with KPMG, he led the Australian team specialising in the information, communications and entertainment sectors and held a number of global roles.

Committees

Audit & Risk (Chair)
Remuneration, Nomination and Governance

Other Directorships and offices

Director of Contango Asset Management Limited (Chairman), REA Group Ltd, 3P Learning Limited and Governor of the Cerebral Palsy Alliance Research Foundation.

Previous directorships of other Australian listed companies (last three years)

Enero Group Limited (from 23 November 2010 to 18 October 2018).

Senior Management Team

Ciaran Davis

CEO & Managing Director

Refer to biography on page 18.

Andrew Nye

BBus, CA

Chief Financial Officer

In August 2019, Andrew Nye was appointed Chief Financial Officer of ARN, with dual responsibility for both ARN and HT&E. He joined HT&E in 2015 as General Manager of Finance and was appointed Chief Financial Officer of Adshel in 2017.

At HT&E, Andrew was the operational finance lead across a period of significant corporate activity, including the demerger of NZME, disposal of Australian Regional Media and acquisition of Adshel. While at Adshel, Andrew was a member of the executive team, responsible for the development and execution of the strategic and operational plans of the company. Andrew led the finance team through the successful sale of Adshel to oOh!media in 2018.

Andrew is a Chartered Accountant and has a broad range of experience accumulated through a combination of commercial roles and over 11 years consulting at PwC. Andrew is a Director of a number of HT&E subsidiaries and joint venture entities.

Directors' Report and Financial Report

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 4th Edition, February 2019* and has complied with the ASX recommendations for the entire reporting period (unless otherwise indicated in the Company's Corporate Governance Statement).

A description of how the Company's main corporate governance practices and policies, 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 2019. 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 consisted of:

Hamish McLennan (Chairman) (appointed 30 October 2018)

Roger Amos (appointed 30 November 2018)

Paul Connolly (appointed 18 October 2012)

Ciaran Davis (CEO & Managing Director) (appointed 24 August 2016)

Belinda Rowe (appointed 5 February 2019).

Details of the current Directors' qualifications, experience and responsibilities are set out on pages 18 and 19.

2. COMPANY SECRETARY

Jeremy Child joined HT&E Limited in 2015 as Group Taxation Manager and took on the expanded role of Company Secretary in August 2019. He previously worked at the Royal Bank of Scotland (formerly ABN AMRO) dealing in a range of tax matters including advising on transactions, products, governance and managing tax audits. Jeremy also consulted at tax firms such as providing R&D advice with MJ&A and GST advice with PwC. Jeremy is a legal practitioner holding a BBus/LLB from UTS, a MSc from the Stockholm School of Economics and is an Associate of the Governance Institute of Australia.

3. PRINCIPAL ACTIVITIES

HT&E is a leading media and entertainment company listed on the Australian Securities Exchange which operates audio and digital businesses in Australia as well as outdoor assets in Hong Kong.

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

HT&E also owns Cody Out-of-Home in Hong Kong, which has a network of over 440 outdoor advertising panels across major Hong Kong tunnels as well as the iconic tram shelters on Hong Kong Island.

Other HT&E investments included global provider of mobile messaging technology Soprano Design.

Directors' Report (continued)

4. DIVIDENDS

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

DIVIDENDS

Type	Cents per share	AUD million	Date of Payment
Final 2018	**4.0**	11.4	15 Mar 2019
Interim 2019	**4.0**	11.4	13 Sep 2019

Since the end of the financial year, the Directors have declared the payment of a fully franked final dividend of 4.6 cents per ordinary share in respect of the year ended 31 December 2019. This dividend is payable on 23 March 2020.

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, Chief Executive Officer's Report and Operating & 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 7.6 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 & 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 macroeconomic 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, www.htande.com.au/corporate-governance.

Directors' Report (continued)

The Group has identified a number of key business and financial risks which may impact on HT&E's achievement of its strategic and financial objectives. They include, but are not limited to:

Risk	Description
Changes in metro radio audience share	In Australia, the Group operates within the radio and digital advertising sectors. Any decline in radio audience share could affect advertising revenue and financial results. The Group mitigates this risk by investing in its on-air talent and audio offering, which span across radio, streaming, social, events and podcasting, in addition to the attraction and retention of experienced and high performing executives and employees.
Loss of key on-air talent	Recruiting and retaining the best on-air talent are integral to being able to maintain and grow audience share. Fixed term contracts are in place, with terms reviewed and contracts renewed with sufficient regularity to mitigate the risk of losing key on-air talent.
Changes in advertiser and/or audience preferences	Remaining relevant to advertisers and consumers is critical to meeting the Group's strategic objectives. Changes in consumer preferences leading to audience fragmentation could over time, result in revenue declines. The Group continues to focus on improving commercial revenue share through its "Defining Audio" commercial proposition. The Group invests in capability including, but not limited to, retaining experienced media executives, hiring proven on-air talent, participation in industry bodies, advertising and market research.
Macroeconomic factors and consumer sentiment	The ability for the Group to execute its strategy is linked to ongoing economic stability in those markets in which it operates. If economic conditions were to deteriorate, there could be a significant reduction in Group revenues and earnings. While the radio industry's share of the advertising market remains stable, the Australian advertising market been impacted by soft consumer sentiment, reduced access to credit, slow wages growth, and soft retail and automotive industry sales. The Group operates an outdoor advertising business in Hong Kong where revenues and earnings have been adversely impacted by political unrest and protests. The Group continuously monitors performance and market developments to reassess plans and strategies as required.
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, cash flow and the Group's strategy. Further details are provided in note 5 to the consolidated financial statements.
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.

Directors' Report (continued)

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 laws of Australia or Hong Kong.

11. REMUNERATION REPORT

The Remuneration Report is set out on pages 28 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		Remuneration, Nomination and Governance Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Hamish McLennan	10	10	6	6	1	1	3	3
Roger Amos	10	10	6	6	1	1	3	3
Paul Connolly	10	10	6	6	1	1	3	3
Ciaran Davis	10	10	N/A	N/A	N/A	N/A	N/A	N/A
Belinda Rowe	9	7	2	2	N/A	N/A	2	2

Committees were formed for purposes including reviewing and approving the half-year and annual financial statements, 2018 Annual Report and 2018 Shareholder Review and 2019 Notice of Annual General Meeting. These meetings were attended as follows (Held/Attended): Hamish McLennan (2/2), Roger Amos (2/2) and Ciaran Davis (4/4).

The Remuneration, Nomination and Governance Committee was formed in June 2019 to combine the roles previously performed by the Remuneration Committee, and the Nomination and Governance Committee.

Directors' Report (continued)

13. DIRECTORS' INTERESTS

The Remuneration Report on pages 28 to 44 contains details of shareholdings of the Directors and Executive Key Management Personnel for the year ended 31 December 2019.

14. SHARES UNDER OPTION

There were no unissued shares of HT&E Limited under option at 31 December 2019 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 or officer of the Company, a subsidiary or an 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.

For the financial year, the Company's auditor, PricewaterhouseCoopers, received or is due to receive $578,000 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 note 7.3 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 is provided on page 45. 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.

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*.

Directors' Report (continued)

19. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration, as required under section 307C of the *Corporations Act 2001*, is provided on page 45.

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.

Hamish McLennan
Chairman

Sydney
24 February 2020

Remuneration Report

DEAR SHAREHOLDERS

On behalf of the Remuneration, Nomination and Governance Committee and the Board of Directors, I present HT&E's Remuneration Report for 2019.

Part of the role of the Remuneration, Nomination and Governance Committee is to oversee HT&E's remuneration policies and practices so they 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, reward outcomes and any significant changes to remuneration arrangements for the Chief Executive Officer (CEO) & Managing Director and other Executive Key Management Personnel (Executive KMP).

The Chairman and CEO & Managing Director's reports outline the performance of the Group in 2019. HT&E's statutory results finished below target and reflect the subdued advertising market conditions in which it has operated in both Australia and Hong Kong. Several key strategic objectives of the Group were achieved in the year, including the retention of key radio talent, significantly improved audience ratings results, continued cost management focus and the disposal of certain non-core operations. The remuneration outcomes set out below reflect this performance.

REMUNERATION APPROACH AND CHANGES FOR 2019

Limited changes were made to Executive KMP total fixed remuneration (TFR) and Non-executive Director remuneration in 2019. Where changes were made, these related to changes in roles and/or responsibilities compared to 2018.

The structure and financial metrics of the Group's Total Incentive Plan (TIP) in 2019 remained consistent with last year's plan. Targets are set annually for the following 12 months based on current year actual results and expected performance for the year ahead.

PERFORMANCE AND REMUNERATION OUTCOMES FOR 2019

HT&E's financial performance in 2019 reflects subdued advertising market conditions experienced in Australia and the impact of the prolonged political unrest in Hong Kong.

- Despite the radio market being down 9.8% in the second half, ARN grew its share of the total radio market, and key talent were retained on multi-year extensions. Cost management remained a key focus with total costs for the year up just 1.4% on a like for like basis; an efficiency review completed in the second half will help limit cost growth in 2020.
- Hong Kong's improved performance in 2018 continued into the start of 2019 following its first profitable full year since 2015 and the exit of its final unprofitable contract in December 2018. The protests and political unrest since June impacted heavily on overall market conditions and in particular, our street level transit assets. If not for this unprecedented and ongoing event our Hong Kong business was on-track to deliver further improvements on its 2018 result.

Group financial performance fell short of threshold on all financial performance conditions and consequently no TIP awards were made to Executive KMP related to 2019 financial measures:

- Reported EBITDA before exceptional items and discontinued operations, of $75.6 million was up 5 per cent on 2018 after the adoption of AASB 16 *Leases*. Normalising for the impact of adopting AASB 16 *Leases*, EBITDA was down 17 per cent on 2018 and was 22 per cent behind target;
- EPS on a post-tax basis, before exceptional items, of 12.1 cents was 26 per cent behind target; and
- ROIC, calculated based on earnings before interest and tax (EBIT) and before exceptional items, of 14.0 percent, compared to target of 18.6 per cent.

Remuneration Report (continued)

Executive KMP met some or all of their personal key performance indicator (KPI's) targets and consequently were awarded a portion of their non-financial TIP opportunity, representing 25% of the target TIP opportunity.

TIP awards for continuing Executive KMP have been made in accordance with the TIP Rules with 50 percent paid in cash, and 50 percent through the granting of HT&E equity rights. The number of rights granted was adjusted to reflect dividends paid during 2019 in accordance with the TIP Rules. Granted rights are deferred under the TIP Rules for a one-year service period and a further two-year holding period.

EMPLOYEE CHANGES IN 2019

As announced in conjunction with the half year results, the Company undertook a review of its operating model and leadership structure following the sale of Adshel to oOh!media in late 2018. The review concluded that the consolidation of a number of HT&E corporate roles into ARN operations is the optimal structure for the Company. It was determined that two existing senior group roles were no longer required in the organisation structure. As a result, both Jeff Howard, former CFO and Yvette Lamont, former Group General Counsel and Company Secretary, left HT&E at the end of 2019, and Andrew Nye was appointed CFO of HT&E and ARN effective from 14 August 2019.

Both Jeff and Yvette made significant contributions to the pursuit of long-term shareholder value and were pivotal in the reshaping of HT&E during their considerable tenures, we thank them sincerely for their contributions and wish them well in their future endeavours.

Details of their respective employment cessation arrangements are included in section F of this Remuneration Report.

REMUNERATION CHANGES FOR 2020

Following the previously mentioned review of operations and senior management needs, the Board considers that Executive KMP total fixed remuneration is now appropriate for the size and structure of HT&E and is commensurate with the Company's strategy and shareholder expectations.

The Board has also reviewed the appropriateness of the TIP structure for 2020. Based on external feedback, shareholder support at the 2019 Annual General Meeting and our own assessment, we have concluded that the TIP structure 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.

The Board believes the TFR and TIP opportunity for 2020 strongly aligns our management team with the interests of shareholders.

Paul Connolly
Chair of the Remuneration,
Nomination and Governance Committee

Remuneration Report (continued)

OUR DETAILED REMUNERATION REPORT

This Remuneration Report for the year ended 31 December 2019 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, Nomination and Governance Committee
C. How 2019 reward was linked to performance
D. Actual remuneration for 2019
E. Total remuneration for Executive KMP
F. Executive KMP employment cessation payments
G. Contractual arrangements with Executive KMP
H. Non-executive Director arrangements
I. Share-based remuneration
J. Non-executive Director and Executive KMP shareholdings
K. 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 changes have occurred to KMP composition since 31 December 2019 up to the date of this report:

Name	Role
Current Executive KMP	
Ciaran Davis	Chief Executive Officer (CEO & Managing Director), including Australian Radio Network (from 3 December 2018)
Andrew Nye	Chief Financial Officer, HT&E and Australian Radio Network (CFO) (from 14 August 2019)
Former Executive KMP	
Jeff Howard	Chief Financial Officer (CFO) (until 31 December 2019)
Yvette Lamont	Group General Counsel and Company Secretary (until 31 December 2019)
Rob Atkinson	CEO, Australian Radio Network (until 19 February 2019)
Non-executive Directors	
Hamish McLennan	Non-executive Chairman
Roger Amos	Non-executive Director
Paul Connolly	Non-executive Director
Belinda Rowe	Non-executive Director (from 5 February 2019)

Remuneration Report (continued)

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

The Remuneration, Nomination and Governance 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 2019, which is outlined below:

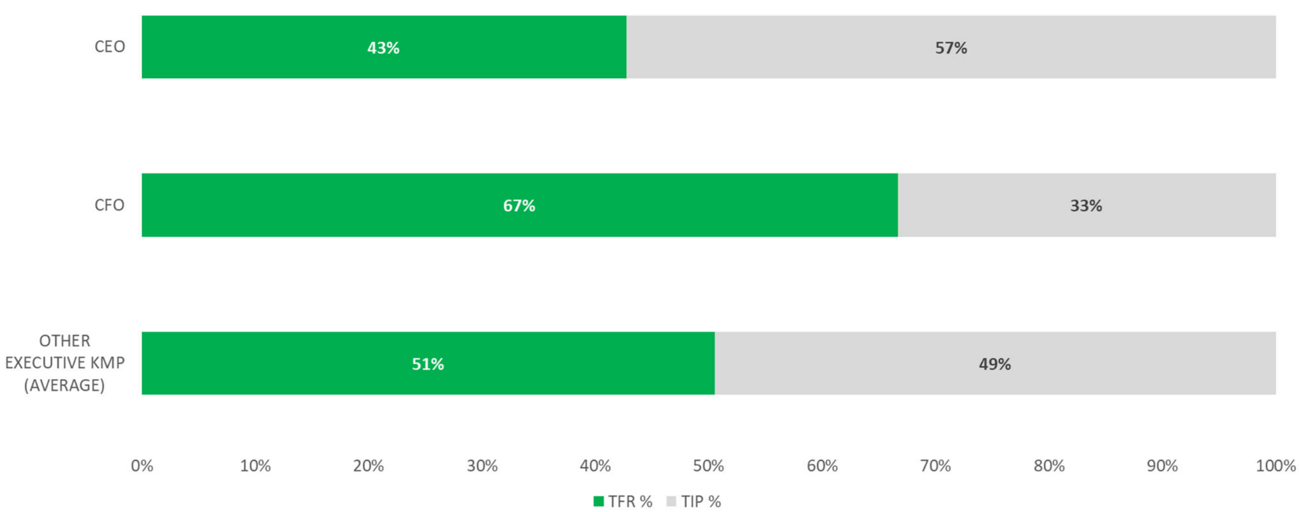
(I) TOTAL FIXED REMUNERATION (TFR)

TFR comprises base salary, retirement benefits and other remuneration related costs. The purpose of TFR is to recognise the capability and experience of the individual, and the scope and responsibility of the role.

As noted in the 2017 Remuneration Report, in 2017 the CEO & Managing Director offered to take a 15% reduction in base salary, which the Board accepted effective 1 January 2018. To ensure he remained incentivised to deliver outstanding results for shareholders, the Target Award Opportunity was adjusted upwards by the amount of TFR forgone, such that total compensation (TFR and Total Incentive Plan (TIP)) would equate to what he could have earned in 2017 if targets had been met. This reweighting to TIP benefits shareholders in two ways:

- a greater proportion of the CEO & Managing Director'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.

The target remuneration mix for the CEO & Managing Director, CFO and the average across the other former Executive KMP for 2019 that qualified for the 2019 TIP award (i.e. excludes Rob Atkinson the former CEO, Australian Radio Network) is illustrated below:



The target remuneration mix for the CEO & Managing Director and CFO is unchanged for 2020.

Remuneration Report (continued)

Retirement benefits

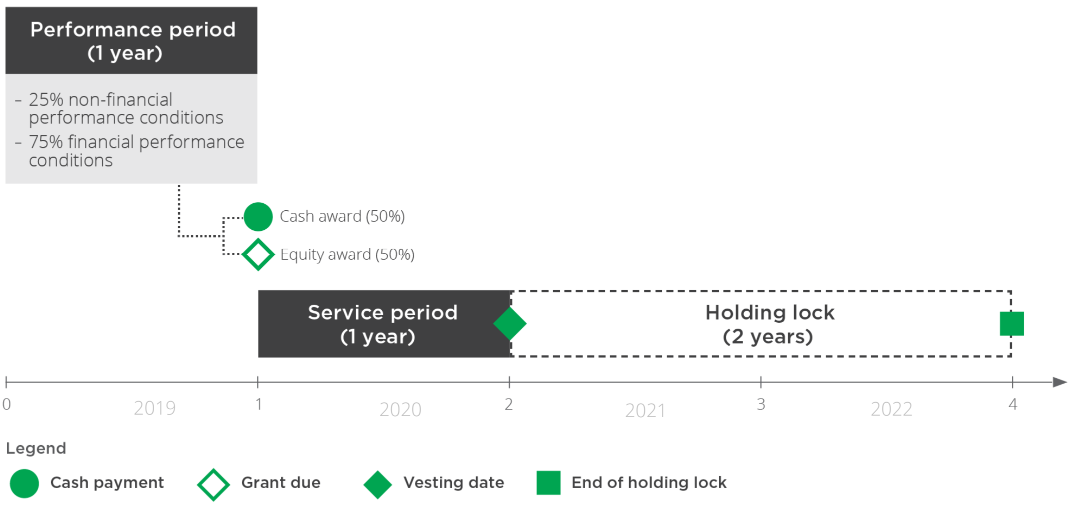
Retirement benefits are considered to be part of TFR and are delivered to Executive KMP in the form of statutory superannuation contributions to a number of different funds. Contributions made on behalf of executives are based on a percentage of fixed salary. Ms Lamont was a member of a defined benefit superannuation plan (the plan provides defined lump sum or annuity benefits based on years of service and final average salary) up until 30 September 2019 when the plan was converted to an accumulation fund in line with that for other Executive KMP.

Other remuneration related costs

The Company may incur other remuneration related costs in respect of certain executives that 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 following an assessment against specified financial and non-financial performance conditions based on a one-year performance period. The following diagram illustrates the operation of the TIP for 2019, and the structure for 2020 follows the same pattern.



(III) 2019 TIP: KEY TERMS

The following table outlines the key terms of the 2019 TIP. No changes are proposed for 2020:

Feature	Description
Eligibility	At the absolute discretion of the Board, the CEO & Managing Director and other Executive KMP are eligible to participate in the TIP.
Award opportunity	For the CEO & Managing Director and former CFO, target award is 135.3% of fixed remuneration, reflecting the base salary reduction implemented from 1 January 2018. Other eligible participants had a Target Award Opportunity, which varied between 50% and 60% of fixed remuneration, depending on the participant's role and responsibilities. Financial awards include incentive over and above the target award when results achieved are better than target. KPI awards are capped at 100% of the target opportunity. As a result, the maximum incentive is 137.5% of the target award.
Performance period	The award is dependent on performance over a one-year performance period (the 2019 financial year). There is no opportunity for retesting.

Remuneration Report (continued)

<table>
<tr><th>Feature</th><th colspan="4">Description</th></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 & Managing Director, CFO, former CFO and former Group General Counsel and Company Secretary, performance is measured based on Group earnings before interest, tax, depreciation and amortisation (EBITDA) (25%), Group earnings per share (EPS) (25%) and Group return on invested capital (ROIC) (25%), before exceptional items, per the table below.</td><td colspan="2">Performance is measured against specific metrics as determined for each participant at the commencement of the performance period.
These metrics include: Group 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">2019 incentive payout schedule</td><td colspan="2">EBITDA and EPS</td><td colspan="2">ROIC</td></tr>
<tr><td>EBITDA and 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 is 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 performance award schedule was designed to limit awards below target. Upside will only be provided in exceptional circumstances at the absolute discretion of the Board.
EPS in 2019 was based on Net Profit After Tax (NPAT) attributable to owners of the parent as a percentage of weighted average number of shares on issue. ROIC in 2019 was based on EBIT as a percentage of adjusted total equity. Both measures were on a pre-exceptional items basis.</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).
Subject to the satisfaction of a one-year service period, vested rights will automatically convert to fully paid ordinary shares.
Participants will receive an additional allocation of fully paid ordinary shares at vesting equal to the dividends paid on vested rights over the performance and service periods.
Vested shares will be subject to a further two-year holding lock.</td></tr>
<tr><td>Equity allocation methodology</td><td colspan="4">Equity is granted based on the face value of the rights.</td></tr>
</table>

Remuneration Report (continued)

Feature	Description
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.

Remuneration Report (continued)

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

Other remuneration arrangements will be entered into on an 'as needs' 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 (claw back) awards where it sees fit to align with remuneration policy and/or Company strategic outcomes.

C. HOW 2019 REWARD WAS LINKED TO PERFORMANCE

PERFORMANCE MEASURES

The overall Company performance for 2019 is reflected in the performance measures below. 2019 results reflect the adoption of AASB 16 *Leases* (refer to note 1 to the Consolidated Financial Statements). 2018 results presented below reflect the statutory results plus Adshel's results for the period it was owned by HT&E. Earlier results reflect statutory results for the respective year.

	2019	2018	2017	2016	2015
Group EBITDA[1]	**$75.6m**	$105.5m	$118.4m	$90.9m	$166.2m
Net profit after tax before amortisation (NPAT/NPATA)[2]	**$34.2m**	$51.2m	$54.1m	$66.1m	$78.3m
Weighted average number of shares outstanding[3]	**283,605,019**	307,528,973	307,696,348	200,039,379	158,127,258
Basic (NPAT/NPATA) EPS[2 3] (cents)	**12.1**	16.6	17.6	33.1	49.5
ROIC[4]	**14.0%**	23.9%	13.4%	9.6%	17.3%
Dividend paid to shareholders (cents per share)	**8.0**	79.0	7.0	nil	nil
Increase/(decrease) in share price (%)[5]	**7%**	22%	(34%)	(1%)	(37%)

(1) Continuing operations before exceptional items. 2018 includes Adshel's results for the period it was owned by HT&E. 2019 includes impact of adoption of AASB 16 *Leases*.
(2) Continuing and discontinued operations before exceptional items and amortisation, attributable to HT&E shareholders. Results reflect Net Profit after Tax before amortisation (NPATA) for 2015 to 2017 and NPAT for 2018 and 2019.
(3) Adjusted for treasury shares and share buyback in 2018 and 2019, share consolidation and bonus elements of the 2016 rights issues and placement.
(4) Based on EBIT from continuing operations before exceptional items for 2018 and 2019 and EBITA from continuing operations before exceptional items prior 2018. The decline between 2015 and 2017 was due to the demerger of NZME, the sale of Australian Regional Media (ARM) and acquisition of the remaining 50% of Adshel and related share issuance.
(5) 2018 closing share price increased to reflect payment of special dividend. 2016 opening share price adjusted for the impact of NZME demerger, share consolidation, rights issues and placement.

PERFORMANCE AND IMPACT ON REMUNERATION

(I) 2019 TIP AWARD

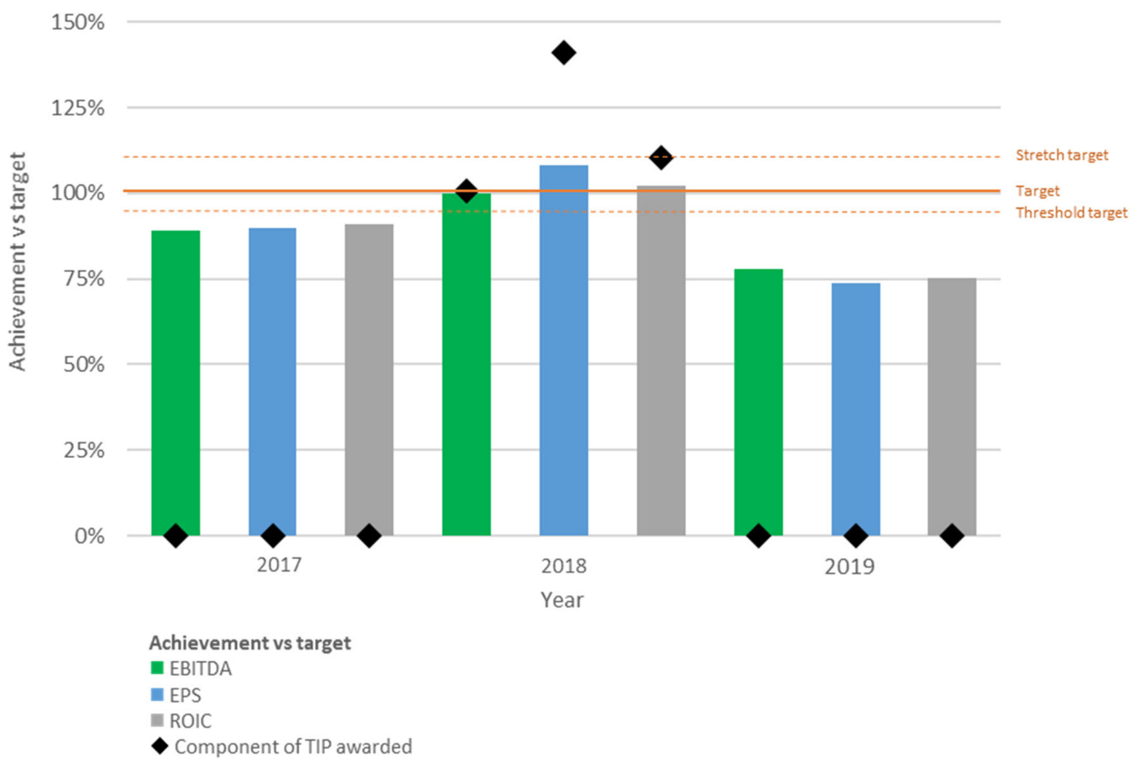
HT&E's continuing operations EBITDA performance in 2019 was behind targets set at the beginning of the year, due predominately to the slowdown in advertising markets in Australia and the political unrest in Hong Kong. EPS and ROIC were also both behind targets.

A component (75%) of the 2019 TIP award was dependent on Group financial performance relative to target. Performance for the 2019 financial year is outlined in the table below:

2019 TIP financial metrics	EBITDA performance	EPS performance	ROIC performance
Group: continuing operations	Between threshold and target; 77.7% of target achieved	Between target and maximum; 73.8% of target achieved	Between target and maximum; 75.4% of target achieved

Remuneration Report (continued)

The chart below shows over the last three years, Group results used for TIP assessment as a percentage of targets, and the corresponding TIP component award outcome:



Remuneration Report (continued)

HT&E's performance fell short of threshold on all financial performance conditions. Consequently, no TIP awards have been made to the CEO & Managing Director and other Executive KMP related to 2019 financial measures. Executive KMP met some or all of their personal KPI targets, with award outcomes for the CEO & Managing Director, CFO, former CFO and former Group General Counsel and Company Secretary of 90% to 100%. For the CFO, the KPI TIP award opportunity has been pro-rated for his 14 August 2019 commencement date.

In accordance with the TIP Rules, the CEO & Managing Director's and CFO's TIP award will be paid 50% in cash and 50% through the granting of rights. The former CFO and former Group General Counsel and Company Secretary were considered good leavers under the TIP Rules, and the Board exercised its discretion to settle their 2019 awards 100% in cash.

The table below summarises the 2019 TIP outcomes:

Executive KMP	TIP awarded (cash incentive) $	TIP awarded (equity award)[1] $	Total TIP awarded $	% of target achieved	% of maximum achieved	% of maximum forfeited
Current						
Ciaran Davis	155,250	155,250	310,500	22.5%	16.4%	83.6%
Andrew Nye[2]	9,844	9,844	19,688	25.0%	18.2%	81.8%
Former[3]						
Jeff Howard	107,812	107,813	215,625	25.0%	18.2%	81.8%
Yvette Lamont	28,848	28,849	57,697	25.0%	18.2%	81.8%

(1) This differs from the accounting fair value of the equity award (included in section E), which is calculated in accordance with accounting standards and expensed over two financial years, covering both the performance and service periods.
(2) Reflects pro-rata award for 14 August 2019 commencement date.
(3) Rob Atkinson ceased to be an Executive KMP on 19 February 2019 and did not qualify for the 2019 TIP award.

As a result of the above, 189,099 TIP rights have been awarded at 31 December 2019. Other than for Jeff Howard and Yvette Lamont, whose rights have vested and will be cash settled, all other Executive KMP TIP rights are subject to a one-year service period and a further two-year holding period. The number of rights was increased to reflect dividends paid during 2019 in accordance with the TIP Rules. For current Executive KMP 109,856 rights over HT&E shares will be issued to satisfy the 2019 TIP awards. Assuming all remaining rights vest, at 1 January 2020 the equivalent number of shares associated with these rights was valued at $186,206.

D. ACTUAL REMUNERATION FOR 2019

The following section sets out the value of remuneration which has been received by Executive KMP for the 2019 performance year.

HT&E's performance in 2019 was impacted by a subdued Australian advertising market and political unrest in Hong Kong, with Group EBITDA, EPS and ROIC all behind targets set at the beginning of the year. As a result, there were no TIP awards made to Executive KMP related to 2019 financial measures.

Executive KMP met some or all of their personal KPI targets and as a result TIP awards have been made in relation to the non-financial component and in accordance with the TIP Rules with 50 per cent paid in cash, and 50 per cent through the granting of HT&E equity rights. With the exception of the former CFO and former Group General Counsel and Company Secretary, who ceased to be employed by HT&E as at 31 December 2019, granted rights are deferred under the TIP Rules for a one-year service period and a further two-year holding period.

For Executive KMP, the number of awarded 2019 rights and vesting 2018 rights was increased in accordance with the TIP Rules for dividends paid during 2019. Refer to the Reconciliation of Rights table included in Section I (II). The Board waited until 2019 results were finalised prior to hedging the TIP obligations due to the anticipated management changes.

The figures in the following table are different to those shown in the accounting table in section E because that table includes the apportioned accounting value for all vested TIP grants. It also includes accrued long service leave and non-monetary benefits provided in addition to an individual's TFR.

The TIP values represent the cash portion (50%) of the total TIP awarded for each year. Vested TIP in 2018 is the value of the 2017 TIP grant which vested at the end of 2018. Vested TIP values reflect the value of shares as at 1 January 2019 consistent with the 2018 Remuneration Report.

Remuneration Report (continued)

ACTUAL REMUNERATION

Executive KMP[1]	TFR[2] $	TIP $	Vested TIP[3] $	Other[4] $	Total $
Current					
Ciaran Davis					
2019	**1,020,000**	**155,250**	**1,117,844**	**–**	**2,293,094**
2018	1,020,000	758,883	164,192	–	1,943,075
Andrew Nye (from 14 August 2019)					
2019	**163,254**	**9,844**	**–**	**–**	**173,098**
2018	–	–	–	–	–
Total – Current					
2019	**1,183,254**	**165,094**	**1,117,844**	**–**	**2,466,192**
2018	1,020,000	758,883	164,192	–	1,943,075
Former					
Jeff Howard (until 31 December 2019)					
2019	**637,500**	**107,813**	**830,408**	**935,826**	**2,511,547**
2018	637,500	481,040	102,623	–	1,221,163
Yvette Lamont[5] (until 31 December 2019)					
2019	**480,000**	**28,849**	**224,865**	**870,000**	**1,603,714**
2018	480,000	130,520	34,739	–	645,259
Rob Atkinson (until 19 February 2019)					
2019	**76,343**	**–**	**–**	**431,375**	**507,718**
2018	554,617	100,762	43,712	158,796	857,887
Total – All					
2019	**2,377,097**	**301,756**	**2,173,117**	**2,237,201**	**7,089,171**
2018	2,692,117	1,471,205	345,266	158,796	4,667,384

(1) Table includes 2018 and 2019 Executive KMP.

(2) TFR comprises base salary, retirement benefits and other remuneration related costs.

(3) Vested TIP in 2019 includes the shares in relation to 2018 TIP that have now vested and for Jeff Howard and Yvette Lamont also includes the cash settlement of rights awarded under the 2019 TIP estimated using 31 December 2019 closing share price.

(4) Includes the capped and non-capped redundancy benefits for Jeff Howard, Yvette Lamont and Rob Atkinson in 2019. A breakdown of these amounts is included in the relevant table in section F.

(5) Yvette Lamont was a member of a defined benefit scheme and her TFR includes $50,000 (2018: $80,000) of contributions to that scheme. This scheme converted to an accumulation fund on 30 September 2019.

Remuneration Report (continued)

E. TOTAL REMUNERATION FOR EXECUTIVE KMP

Details of the Executive KMP remuneration for 2019 and 2018 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 D.

	Short-term benefits			Post-employment benefits	Other long-term benefits	Share-based payments	Termination benefits	Total
Executive KMP	Cash salary and fees[1] $	Non-monetary benefits[2] $	Cash incentives[3] $	Super-annuation[4] $	Long service leave[5] $	Fair value equity awards[6] $	$	$
Current								
Ciaran Davis								
2019	**976,489**	**33,143**	**155,250**	**20,767**	**34,683**	**497,111**	**–**	**1,717,443**
2018	976,965	32,302	758,883	20,290	(1,437)	967,223	–	2,754,226
Andrew Nye (from 14 August 2019)								
2019	**152,949**	**–**	**9,844**	**10,305**	**87**	**5,452**	**–**	**178,637**
2018	–	–	–	–	–	–	–	–
Total – Current								
2019	**1,129,438**	**33,143**	**165,094**	**31,072**	**34,770**	**502,563**	**–**	**1,896,080**
2018	976,965	32,302	758,883	20,290	(1,437)	967,223	–	2,754,226
Former								
Jeff Howard (until 31 December 2019)								
2019	**584,161**	**42,970**	**229,641**	**20,767**	**29,924**	**261,111**	**935,826**	**2,104,340**
2018	580,333	46,434	481,040	20,290	16,339	611,657	–	1,756,093
Yvette Lamont (until 31 December 2019)								
2019	**414,749**	**10,398**	**61,450**	**65,251**	**(2,957)**	**70,849**	**870,000**	**1,489,740**
2018	400,000	9,557	130,520	80,000	8,000	172,822	–	800,899
Rob Atkinson (until 19 February 2019)								
2019	**71,210**	**18,446**	**–**	**5,133**	**1,550**	**–**	**431,375**	**527,714**
2018	534,326	25,901	303,270	20,290	–	–	–	883,787
Total - All								
2019	**2,199,558**	**104,957**	**456,185**	**122,223**	**63,287**	**834,523**	**2,237,201**	**6,017,934**
2018	2,491,624	114,194	1,673,713	140,870	22,902	1,751,702	–	6,195,005

(1) Cash salary and fees include accrued annual leave paid out as part of salary.
(2) Non-monetary benefits typically include novated lease costs, car parking and associated fringe benefits tax.
(3) Cash incentive payments relate to cash TIP awards accrued for the relevant year and paid in the year following. For Jeff Howard and Yvette Lamont, cash incentives include the cash settlement of 2019 TIP awards estimated using 31 December 2019 closing share price.
(4) Yvette Lamont was a member of a defined benefit superannuation plan up to 30 September 2019 when it was converted to an accumulation fund. The amount disclosed above has been determined in accordance with the relevant accounting standards.
(5) Long service leave relates to amounts accrued during the year.
(6) The fair value is derived using the closing share price on the grant date.

Remuneration Report (continued)

F. EXECUTIVE KMP EMPLOYMENT CESSATION PAYMENTS

Former Executive KMP employment cessation payments for 2019 and 2018 were made in line with contractual entitlements and the terminations cap under the *Corporations Regulations 2001* as it pertains to redundancy payments. Details of these payments are set out in the table below:

	Payments not subject to cap[1]	Payments subject to cap[1]				
Former Executive KMP	Bona fide redundancy $	Notice period $	Non-compete / Restraint $	Defined benefit superannuation contribution $	Ex-gratia $	Total $
Jeff Howard (until 31 December 2019)						
2019	**260,826**	**637,500**	**–**	**–**	**37,500**	**935,826**
2018	–	–	–	–	–	–
Yvette Lamont (until 31 December 2019)						
2019	**400,000**	**100,000**	**100,000**	**137,434**	**132,566**	**870,000**
2018	–	–	–	–	–	–
Rob Atkinson (until 19 February 2019)						
2019	**164,333**	**267,042**	**–**	**–**	**–**	**431,375**
2018	–	–	–	–	–	–
Total						
2019	**825,159**	**1,004,542**	**100,000**	**137,434**	**170,066**	**2,237,201**
2018	**–**	–	**–**	**–**	**–**	–

(1) Benefits paid as defined by *Corporations Regulations 2001* Reg 2D.2.02. Refer section G for further details.

G. CONTRACTUAL ARRANGEMENTS WITH EXECUTIVE KMP

Remuneration and other terms of employment for 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 former CFO – 12 months; former Group General Counsel and Company Secretary – three months; and CFO – 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. Benefits paid as defined by *Corporations Regulations 2001* Reg 2D.2.02 cannot exceed 12 months base salary (average of past three years). Payments for redundancy and accrued leave entitlements are not subject to this cap.
Non-compete/restraint	Executive KMP are subject to non-compete provisions for the term of their notice period.

Remuneration Report (continued)

H. 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, Nomination and Governance Committee has the responsibility for reviewing and recommending the level of remuneration for Non-executive Directors in relation to Board and Committee duties.

Non-executive Directors are not eligible to participate in incentive programs or termination payments.

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

	2019 $		2020 $	
Role	Chair fee[1]	Member fee	Chair fee[1]	Member fee
Board	284,700	85,000	284,700	85,000
Audit & Risk Committee	20,000	10,000	20,000	10,000
Remuneration Committee (until 5 June 2019)[2]	20,000	10,000	–	–
Nomination and Governance Committee (until 5 June 2019)[2]	20,000	10,000	–	–
Remuneration, Nomination and Governance Committee (from 5 June 2019)[2]	20,000	10,000	20,000	10,000

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

(2) The Board resolved on 5 June 2019 to form the Remuneration, Nomination and Governance Committee.

APPROVED FEE POOL

The Non-executive Director fee pool of $1,200,000 per annum was approved by shareholders at the 2015 Annual General Meeting. There was no change to the Non-executive Director fee pool in 2019 and none is expected for 2020.

Remuneration Report (continued)

Details of the Non-executive Directors' fees for 2019 and 2018 are set out in the table below:

Non-executive Directors	Fees $	Superannuation $	Total $
Hamish McLennan (from 30 October 2018)			
2019	**263,933**	**20,767**	**284,700**
2018	46,060	3,615	49,675
Roger Amos (from 30 November 2018)			
2019	**123,325**	**11,716**	**135,041**
2018	10,612	1,008	11,620
Paul Connolly			
2019	**108,808**	**10,337**	**119,145**
2018	110,813	10,527	121,340
Belinda Rowe (from 5 February 2019)			
2019	**75,543**	**7,613**	**83,156**
2018	–	–	–
Total			
2019	**571,609**	**50,433**	**622,042**
2018	167,485	15,150	182,635

I. SHARE-BASED REMUNERATION

(I) TERMS AND CONDITIONS OF SHARE-BASED REMUNERATION

2019 TIP Awards

Current Executive KMP received a grant of rights under the 2019 TIP during 2019. Based on HT&E's performance, rights have been awarded at the end of 2019 to satisfy TIP outcomes. Other than for Jeff Howard and Yvette Lamont, whose rights will be cash settled as outlined in section D, current Executive KMP rights will vest at the end of the one-year service period. The table below shows the number and value of 2019 rights that were awarded and remain unvested at the end of 2019.

Executive KMP	Grant date[1]	Vesting date	Number of rights granted	Number of rights awarded	Number of rights unvested	Value per right at grant date $
Current						
Ciaran Davis	8 February 2019	1 January 2021	432,392	97,289	335,103	1.635
Andrew Nye	14 August 2019	1 January 2021	24,675	6,169	18,506	1.71
Former						
Jeff Howard[2]	8 February 2019	31 December 2019	270,425	67,562	202,683	1.635
Yvette Lamont[2]	8 February 2019	31 December 2019	72,313	18,079	54,234	1.635

(1) The date on which the fair value of the TIP rights was 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 shareholder approval has been received at the 2020 AGM, and for all other current Executive KMP on a date to be determined after this Annual Report has been issued.

(2) As noted above, Jeff Howard's and Yvette Lamont's 2019 TIP rights will be cash settled in accordance with the TIP Rules and at the discretion of the Board.

Remuneration Report (continued)

(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 2019 financial year:

Executive KMP	Balance at start of the year[1]	2017 TIP Exercised / vested	2018 TIP Exercised / vested	Awarded	Dividend uplift	Balance at end of the year
Current						
Ciaran Davis[2]						
Vested and exercisable	103,919	(103,919)	619,929	–	39,566	659,495
Unvested	619,929	–	(619,929)	97,289	6,211	103,500
Total	723,848	(103,919)	–	97,289	45,777	762,995
Andrew Nye						
Vested and exercisable	–	–	–	–	–	–
Unvested	–	–	–	6,169	187	6,356
Total	–	–	–	6,169	187	6,356
Total – Current						
Vested and exercisable	103,919	(103,919)	619,929	–	39,566	659,495
Unvested	619,929	–	(619,929)	103,458	6,398	109,856
Total	723,848	(103,919)	–	103,458	45,964	769,351
Former						
Jeff Howard						
Vested and exercisable	64,951	(64,951)	392,961	–	25,080	418,041
Unvested	392,961	–	(392,961)	67,562	4,313	71,875
Total	457,912	(64,951)	–	67,562	29,393	489,916
Yvette Lamont						
Vested and exercisable	21,987	(21,987)	106,624	–	6,806	113,430
Unvested	106,624	–	(106,624)	18,079	1,155	19,234
Total	128,611	(21,987)	–	18,079	7,961	132,664
Total – All						
Vested and exercisable	190,857	(190,857)	1,119,514	–	71,452	1,190,966
Unvested	1,119,514	–	(1,119,514)	189,099	11,866	200,965
Total	1,310,371	(190,857)	–	189,099	83,318	1,391,931

(1) An actual grant of rights will not be made to the CEO & Managing Director until after shareholder approval has been received at the 2020 AGM.

Remuneration Report (continued)

J. NON-EXECUTIVE 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			
Hamish McLennan	–	73,000	73,000
Roger Amos	–	16,250	16,250
Paul Connolly	65,935	–	65,935
Belinda Rowe[1]	–	–	–
Current Executive KMP			
Ciaran Davis	420,134	–	420,134
Andrew Nye[1]	30,476	20,000	50,476
Former Executive KMP			
Jeff Howard[2]	303,374	–	303,374
Yvette Lamont[2]	115,143	–	115,143
Rob Atkinson[3]	–	–	–

(1) Belinda Rowe became a Non-executive Director on 5 February 2019. Andrew Nye became an Executive KMP on 14 August 2019. The balance at start of the year in the table above for these respective individuals is the number of shares held as at their appointment dates.

(2) Jeff Howard and Yvette Lamont both ceased to be an Executive KMP on 31 December 2019.

(3) Rob Atkinson ceased to be an Executive KMP on 19 February 2019. The balance at end of the year in the table above is the number of shares he held at that date.

K. OTHER STATUTORY DISCLOSURES

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

There are no loans from the Company to 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 include 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 2019 AGM

The Company received more than 94% of 'yes' votes on its Remuneration Report for the 2018 financial year, and more than 94% of 'yes' votes to the granting of deferred rights to the CEO & Managing Director. No major remuneration related concerns were raised which required the Company's attention during the 2019 financial year.

(IV) EXTERNAL REMUNERATION CONSULTANTS

During 2019, HT&E made use of external remuneration consultants, including advice regarding Executive KMP termination settlements.

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

Auditor's Independence Declaration

As lead auditor for the audit of HT&E Limited for the year ended 31 December 2019, 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.

Louise King
Partner
PricewaterhouseCoopers

Sydney
24 February 2020

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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.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 24 February 2020. 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 1 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 3.1 Intangible assets;
- Note 3.3 Leases; and
- Note 5.1 Income tax and deferred tax.

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:

New Accounting Standard AASB 16 *Leases*

The Group adopted the new leasing standard on 1 January 2019. Refer to note 1 for further details.

New AASB Interpretation 23 *Uncertainty over Income Tax Treatments*

The Group applied the new interpretation on 1 January 2019. Refer to note 5.1 for further details.

Sale of interest in Unbnd Group

The Group disposed of its 50% share in Unbnd Group Pty Ltd on 19 September 2019 resulting in a loss on disposal. Refer to note 6.4 for further details.

Closure of Gfinity Esports Australia

Gfinity Esports Australia Pty Limited was closed in November 2019 with the joint venture interest in HT&E Events Pty Limited written down following this decision. Refer to note 6.4 for further details.

Consolidated Income Statement

For the year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Revenue from continuing operations	2.1	**252,691**	271,777
Other revenue and income	2.1	**9,678**	8,433
Total revenue and other income		**262,369**	280,210
Expenses from continuing operations before impairment, finance costs, depreciation and amortisation	2.2	**(205,906)**	(206,964)
Joint venture impairment and related closure costs	2.3	**(5,423)**	–
Finance costs	2.2	**(4,760)**	(6,992)
Depreciation and amortisation	2.2	**(18,778)**	(4,639)
Share of profits of associates and joint ventures accounted for using the equity method	6.4	**2,527**	468
Profit before income tax		**30,029**	62,083
Income tax expense	5.1	**(39,879)**	(19,063)
(Loss)/profit from continuing operations		**(9,850)**	43,020
Profit from discontinued operations	7.1	**–**	188,009
(Loss)/profit for the year		**(9,850)**	231,029
(Loss)/profit for the year is attributable to:			
Owners of the parent entity		**(14,195)**	225,544
Non-controlling interests		**4,345**	5,485
(Loss)/profit for the year		**(9,850)**	231,029

		Cents	Cents
Earnings per share from continuing operations			
Basic earnings per share	2.4	**(5.0)**	12.2
Diluted earnings per share	2.4	**(5.0)**	12.2
Earnings per share from continuing and discontinued operations			
Basic earnings per share	2.4	**(5.0)**	73.3
Diluted earnings per share	2.4	**(5.0)**	73.1

The Group has initially applied AASB 16 *Leases* at 1 January 2019. Under the modified retrospective transition method chosen, comparative information has not been restated. Refer to note 1.

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 2019

	Note	2019 $'000	2018 $'000
(Loss)/profit for the year		**(9,850)**	231,029
Items that may be reclassified to profit or loss			
Net exchange difference on translation of foreign operations	4.7	**(56)**	1,746
Net gain on fair value hedges	4.7	**–**	544
Reclassification of foreign currency translation reserve to profit or loss on sale of Adshel	4.7	**–**	3,504
Item that will not be reclassified to profit or loss			
Revaluation of freehold land and buildings	4.7	**1,575**	–
Other comprehensive income, net of tax		**1,519**	5,794
Total comprehensive income		**(8,331)**	236,823
Total comprehensive income is attributable to:			
Owners of the parent entity		**(12,676)**	231,338
Non-controlling interests		**4,345**	5,485
		(8,331)	236,823
Total comprehensive income attributable to owners of the parent entity arises from:			
Continuing operations		**(12,676)**	38,437
Discontinued operations		**–**	192,901
		(12,676)	231,338

The Group has initially applied AASB 16 *Leases* at 1 January 2019. Under the modified retrospective transition method chosen, comparative information has not been restated. Refer to note 1.

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 31 December 2019

	Note	2019 $'000	2018 $'000
Current assets			
Cash and cash equivalents	4.2	**110,972**	128,355
Receivables	3.4	**45,700**	55,177
Tax assets	5.1	**3,339**	–
Other current assets		**3,990**	2,265
Total current assets		**164,001**	185,797
Non-current assets			
Shares in other corporations	6.3	**37,346**	35,403
Investments accounted for using the equity method	6.4	**17,314**	18,829
Property, plant and equipment	3.2	**22,132**	16,650
Intangible assets	3.1	**427,397**	429,585
Right-of-use assets	1.1, 3.3	**51,003**	–
Deposit of tax in dispute, net of provision	5.1	**20,670**	50,670
Other loans		**–**	6,994
Other non-current assets		**5,456**	4,194
Total non-current assets		**581,318**	562,325
Total assets		**745,319**	748,122
Current liabilities			
Payables		**24,092**	24,250
Contract liabilities	2.1	**5,552**	10,773
Lease liabilities	1.1, 3.3	**14,315**	–
Current tax liabilities	5.1	**–**	11,566
Provisions	3.5	**12,817**	6,983
Total current liabilities		**56,776**	53,572
Non-current liabilities			
Payables		**–**	610
Lease liabilities	1.1, 3.3	**44,816**	–
Provisions	3.5	**5,184**	4,250
Deferred tax liabilities	5.1	**108,638**	109,974
Total non-current liabilities		**158,638**	114,834
Total liabilities		**215,414**	168,406
Net assets		**529,905**	579,716
Equity			
Contributed equity	4.5	**1,483,685**	1,492,555
Reserves	4.7	**(43,743)**	(43,809)
Accumulated losses	4.7	**(946,536)**	(905,894)
Total parent entity interest		**493,406**	542,852
Non-controlling interests		**36,499**	36,864
Total equity		**529,905**	579,716

The Group has initially applied AASB 16 *Leases* at 1 January 2019. Under the modified retrospective transition method chosen, comparative information has not been restated. Refer to note 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 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**285,908**	465,017
Payments to suppliers and employees (inclusive of GST)		**(221,173)**	(386,839)
Dividends received		**3,836**	4,878
Interest received		**2,069**	1,002
Interest paid		**(3,632)**	(7,395)
Income taxes paid		**(22,174)**	(31,199)
Prepayment of tax in dispute		**–**	(50,670)
Net cash inflows/(outflows) from operating activities	4.2	**44,834**	(5,206)
Cash flows from investing activities			
Payments for property, plant and equipment		**(7,793)**	(17,484)
Payments for software		**(187)**	(3,136)
Payments for other intangible assets		**–**	(6)
Proceeds from sale of property, plant and equipment		**–**	59
Investment in joint venture		**(500)**	–
Net proceeds from sale of businesses		**–**	564,553
Loans to joint ventures		**(1,788)**	(6,294)
Net loans repaid by other entities		**667**	312
Dividends received from associate		**–**	1,250
Net cash (outflows)/inflows from investing activities		**(9,601)**	539,254
Cash flows from financing activities			
Proceeds from borrowings		**–**	97,000
Repayments of borrowings		**–**	(230,792)
Payments for borrowing costs		**(262)**	(2,078)
Principal elements of lease payments	1.1, 3.3	**(13,495)**	–
Payments for treasury shares	4.7	**(2,537)**	(197)
Dividends paid to shareholders	4.8	**(22,776)**	(244,039)
Payments for share buyback	4.5	**(8,870)**	(39,012)
Net payments to non-controlling interests		**(4,710)**	(5,540)
Net cash outflows from financing activities		**(52,650)**	(424,658)
Change in cash and cash equivalents		**(17,417)**	109,390
Cash and cash equivalents at beginning of the year		**128,355**	18,773
Effect of exchange rate changes		**34**	192
Cash and cash equivalents at end of the year	4.2	**110,972**	128,355

The Group has initially applied AASB 16 *Leases* at 1 January 2019. Under the modified retrospective transition method chosen, comparative information has not been restated. Refer to note 1.

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 2019

	Note	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2018		1,531,567	(50,712)	(887,511)	**593,344**	36,919	**630,263**
Profit for the period		–	–	225,544	**225,544**	5,485	**231,029**
Other comprehensive income		–	5,794	–	**5,794**	–	**5,794**
Share-based payments	4.7	–	594	–	**594**	–	**594**
Share buy-back	4.5	(39,012)	–	–	**(39,012)**	–	**(39,012)**
Dividends paid to shareholders	4.8	–	–	(244,039)	**(244,039)**	–	**(244,039)**
Transfers within equity	4.7	–	(112)	112	**–**	–	**–**
Treasury shares vested to employees	4.7	–	824	–	**824**	–	**824**
Acquisition of treasury shares	4.7	–	(197)	–	**(197)**	–	**(197)**
Transactions with non-controlling interests		–	–	–	**–**	(5,540)	**(5,540)**
Balance at 31 December 2018		1,492,555	(43,809)	(905,894)	**542,852**	36,864	**579,716**
Balance at 1 January 2019		1,492,555	(43,809)	(905,894)	**542,852**	36,864	**579,716**
Change in accounting policy – lease accounting	1.1	–	–	(3,587)	**(3,587)**	–	**(3,587)**
Restated total equity at beginning of the period		1,492,555	(43,809)	(909,481)	**539,265**	36,864	**576,129**
Loss for the period		–	–	(14,195)	**(14,195)**	4,345	**(9,850)**
Other comprehensive income		–	1,519	–	**1,519**	–	**1,519**
Share-based payments	4.7	–	523	–	**523**	–	**523**
Share buy-back	4.5	(8,870)	–	–	**(8,870)**	–	**(8,870)**
Dividends paid to shareholders	4.8	–	–	(22,776)	**(22,776)**	–	**(22,776)**
Transfers within equity	4.7	–	84	(84)	**–**	–	**–**
Treasury shares vested to employees	4.7	–	477	–	**477**	–	**477**
Acquisition of treasury shares	4.7	–	(2,537)	–	**(2,537)**	–	**(2,537)**
Transactions with non-controlling interests		–	–	–	**–**	(4,710)	**(4,710)**
Balance at 31 December 2019		1,483,685	(43,743)	(946,536)	**493,406**	36,499	**529,905**

The Group has initially applied AASB 16 *Leases* at 1 January 2019. Under the modified retrospective transition method chosen, comparative information has not been restated. Refer to note 1.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1 CHANGE IN ACCOUNTING POLICIES

The IASB has issued IFRS 16 *Leases*, replacing IAS 17 *Leases*. The AASB has issued an equivalent standard, AASB 16 *Leases*. The Group has adopted AASB 16 *Leases* using the modified retrospective approach with practical expedients where the cumulative effect of adopting the standard is recognised in opening retained earnings at 1 January 2019, with no restatement of prior year comparative information. The Group has also applied the new AASB Interpretation 23 *Uncertainty over Income Tax Treatments* on its assessment of the financial impact of the tax in dispute as detailed in note 5.1. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group financial statements. Changes to accounting policies and the financial impact on adoption of AASB 16 *Leases* are detailed below.

1.1 FINANCIAL STATEMENTS IMPACT OF AASB 16 *LEASES*

Impact on transition

On adoption, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under AASB 117 *Leases*. The lease liabilities are measured at the present value of minimum lease payments for the lease term, discounted using a weighted average incremental borrowing rate of 3.9%.

Lease liability on transition	1 January 2019 $'000
Non-cancellable operating lease and rental commitments disclosed as at 31 December 2018	**44,581**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**44,309**
Add: finance lease liabilities recognised as at 31 December 2018	**–**
(Less): short-term leases recognised on a straight-line basis as expense	**(1,286)**
(Less): low-value leases recognised on a straight-line basis as expense	**–**
(Less): contracts reassessed as service agreements	**(617)**
Add: adjustments as a result of a different treatment of extension and termination options	**11,409**
Add: adjustments relating to changes in the index or rate affecting variable interest payments	**428**
Lease liabilities recognised as at 1 January 2019	**54,243**

The change in accounting policy affected the following items on the balance sheet at 1 January 2019:

	1 January 2019 $'000
Increase in assets:	
Deferred tax assets	**947**
Right-of-use assets	**48,452**
(Increase)/decrease in liabilities:	
Payables	**1,257**
Lease liabilities	**(54,243)**
Net impact on retained earnings	**(3,587)**

Notes to the Consolidated Financial Statements (continued)

1.1 FINANCIAL STATEMENTS IMPACT OF AASB 16 *LEASES* (CONTINUED)

The associated right-of-use assets on transition and as at 31 December 2019 by asset class:

	1 January 2019 $'000	31 December 2019 $'000
Property	14,746	23,788
Advertising concession agreements	32,803	26,632
Motor vehicle and other	903	583
Total right-of-use assets	48,452	51,003

Net profit before tax (NPBT) from continuing operations, segment assets and liabilities for 31 December 2019 all impacted as a result of the change in accounting policy:

Increase/(decrease) due to adoption of AASB 16 *Leases*

	NPBT $'000	Segment assets $'000	Segment liabilities $'000
Australian Radio Network	(385)	20,920	23,410
HK Outdoor	(273)	30,818	32,414
Digital investments	(2)	96	96
Corporate	2	104	185
Total	(658)	51,938	56,105

Earnings per share decreased by 0.2 cents for the twelve months to 31 December 2019 as a result of the adoption of AASB 16 *Leases*.

During the 12 months to 31 December 2019, the Group recognised $14,021,000 of depreciation charges and $2,343,000 of interest costs in association with AASB 16 *Leases*.

Notes to the Consolidated Financial Statements (continued)

1.1 FINANCIAL STATEMENTS IMPACT OF AASB 16 *LEASES* (CONTINUED)

ACCOUNTING POLICY

Prior to 1 January 2019, the Group classified leases as operating leases when all the risks and benefits of ownership are effectively retained by the lessor. Operating lease payments, excluding contingent payments, were charged to the income statement on a straight-line basis over the period of the lease.

On and after transition, the Group assesses whether a contract is or contains a lease based on the new definition of a lease: a contract is or will contain a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Under AASB 16 *Leases*, the Group recognises on its balance sheet right-of-use assets representing its right to use the underlying assets and corresponding lease liabilities representing its obligation to lease payments at the lease commencement date. Details of the new lease accounting policy adopted by the Group is disclosed in note 3.3.

Practical expedients applied on transition

In applying AASB 16 *Leases*, the Group has used the following practical expedients on transition:

- elected not to reassess whether a contract is or contains a lease at the date of the initial application. Instead contracts entered into before the transition date, the Group relied on assessments made applying AASB 117 *Leases* and Interpretation 4 *Determining whether an Arrangement* contains a lease;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- reliance on previous assessments on whether leases are onerous;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- the use of a single discount rate to a portfolio of leases with similar characteristics.

Notes to the Consolidated Financial Statements (continued)

2 GROUP PERFORMANCE

2.1 REVENUES

	Note	2019 $'000	2018 $'000
Revenue and other income			
From continuing operations			
Broadcast revenue		**202,034**	217,358
Advertising revenue		**43,738**	46,053
Services revenue		**6,861**	8,132
Other revenue		**58**	234
Revenue from continuing operations		**252,691**	271,777
Gain on financial assets held at fair value through profit or loss		**2,037**	1,912
Dividend income		**4,360**	4,878
Other		**787**	639
Other income		**7,184**	7,429
Interest income		**2,494**	1,004
Finance income		**2,494**	1,004
Total other revenue and income		**9,678**	8,433
Total revenue and other income		**262,369**	280,210
From discontinued operations			
Total revenue and other income	7.1	**–**	153,342
Gain on sale of business	7.1	**–**	164,845

Revenue recognised in the year ended 31 December 2019 that was included in the contract liabilities balance as at 1 January 2019 is $10.8 million (2018: $6.0 million).

Notes to the Consolidated Financial Statements (continued)

2.1 REVENUES (CONTINUED)

ACCOUNTING POLICY

Revenue

The key revenue streams and policies are detailed below:

Under AASB 15 *Revenue from Contracts with Customers*, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control requires judgement. The Group recognises revenue when control of the services or goods passes to the customer.

Revenue is recognised gross of rebates and agency commissions. Payment terms vary between 30 and 45 days from the invoice issue date.

Type of product/service	Segment	Nature and timing of satisfaction of performance obligations
Broadcast revenue	Australian Radio Network	Revenue is recognised when each advertisement is aired per the contract terms.
Advertising revenue	All	Revenue is recognised over time, on a prorated basis when the advertisement is displayed or published.
Services revenue	HK Outdoor	Includes production and installation revenue. Production and installation revenue, where it is a distinct service, is recognised by reference to stage of completion of the service.
Other revenue	All	Includes sponsorships, royalties and cleaning and maintenance revenue. Revenue is recognised when the service occurs.

Contract costs

The Group applies the practical expedient under AASB 15 *Revenue from Contracts with Customers* to expense contract acquisition costs as they are incurred, as the expected costs have an amortisation period of less than 12 months.

Contract assets and liabilities

Contract assets relate primarily to the Group's rights to consideration for work completed but not billed at each reporting date. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to a customer.

Contract liabilities primarily relate to consideration received in advance from customers, for which the performance obligation is yet to be satisfied.

Notes to the Consolidated Financial Statements (continued)

2.2 EXPENSES

	Note	2019 $'000	2018 $'000
From continuing operations			
Employee benefits expense		**98,928**	100,683
Production and distribution expense		**21,083**	19,238
Selling and marketing expense		**39,253**	41,913
Rental and occupancy expense		**10,047**	29,970
Professional fees		**6,825**	5,625
Repairs and maintenance costs		**1,782**	1,849
Travel and entertainment costs		**2,894**	3,205
Redundancies and associated costs	2.3	**4,802**	–
Loss on disposal of investment in joint venture	6.4	**13,355**	–
Loss on disposal of business	2.3	**1,508**	–
Other costs	2.3	**–**	(889)
Other expenses		**5,429**	5,370
Total expenses before impairment, finance costs, depreciation and amortisation		**205,906**	206,964
Interest – lease liabilities	1.1, 3.3	**2,343**	–
Interest and finance charges		**1,741**	6,445
Borrowing costs amortisation		**676**	547
Total finance costs		**4,760**	6,992
Depreciation – right-of-use assets	1.1, 3.3	**14,021**	–
Depreciation – other assets	3.2	**4,190**	3,872
Amortisation	3.1	**567**	767
Total depreciation and amortisation		**18,778**	4,639
From discontinued operations			
Total expenses	7.1	**–**	121,463

The Group has initially applied AASB 16 *Leases* at 1 January 2019. Under the modified retrospective transition method chosen, comparative information has not been restated. Refer to note 1.

Notes to the Consolidated Financial Statements (continued)

2.3 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 three reportable segments as follows:

Reportable segment	Principal activities
Australian Radio Network	Metropolitan radio networks (Australia) and digital advertising
HK Outdoor	Billboard, transit and other outdoor advertising (Hong Kong)
Digital Investments	Includes controlling interests in 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.

The sale of the Adshel business was completed on 28 September 2018. The Adshel business segment is included as a discontinued operations in note 7.1.

The Group's investment in Unbnd Group Pty Ltd was disposed of on 19 September 2019 (refer note 6.4) while HT&E Events Pty Limited was wound down following the decision to close of Gfinity Esports Australia earlier in the year.

(II) RESULTS BY OPERATING SEGMENT

The segment information provided to the Directors and senior management team for the year ended 31 December 2019 is as follows:

2019 $'000	Australian Radio Network	HK Outdoor	Digital Investments	Corporate	Group elimination	Total
Revenue from external customers	223,297	24,817	4,577	–	–	**252,691**
Share of profits of associate & joint ventures	–	–	2,527	–	–	**2,527**
Segment result	73,338	12,407	2,704	(12,812)	–	**75,637**
Segment assets	547,143	45,972	21,001	131,203	–	**745,319**
Segment liabilities	42,018	38,898	6,564	127,934	–	**215,414**
Reconciliation of segment result to profit before income tax from continuing operations						
Segment result						**75,637**
Depreciation and amortisation[A]						**(18,778)**
Net finance costs						**(2,266)**
Joint venture impairment and related closure costs[B]						**(5,423)**
Loss on disposal of investment in joint venture[C]						**(13,355)**
Loss on disposal of business[D]						**(1,508)**
Redundancies and associated costs[E]						**(4,802)**
Dividend income[F]						**524**
Profit before income tax from continuing operations[(i)]						**30,029**

(i) The Group has initially applied AASB 16 *Leases* at 1 January 2019. Under the modified retrospective transition method chosen, comparative information has not been restated and so the 2019 result includes the impact of AASB 16, whereas 2018 does not. Refer to note 1 for further details.

Explanation of statutory adjustments

(A) Consists of depreciation of $18.2 million and amortisation of $0.6 million. Refer to note 2.2.

(B) Relates to impairment of the joint venture interest in HT&E Events Pty Limited ($685,000), write-down of loan to HT&E Events Pty Limited ($4,200,000) and costs relating to the funding of the business until the end of the year ($538,000), following the decision to close Gfinity Esports Australia in June 2019.

(C) Loss on disposal of investment in Unbnd Group Pty Ltd. Refer to note 6.4.

(D) Loss on disposal of assets attributable to The Roar Sports Media Pty Ltd, effective 31 January 2020.

(E) Restructuring costs associated with the Australian Radio Network and Corporate segments resulting from a review of the Company's operating model and senior management needs following the sale of Adshel in 2018.

(F) Dividend income received from Digital Radio Broadcasting Sydney Pty Ltd, an entity the Group has an interest in.

Notes to the Consolidated Financial Statements (continued)

2.3 SEGMENT INFORMATION (CONTINUED)

(II) RESULTS BY OPERATING SEGMENT (CONTINUED)

2018 $'000	Australian Radio Network	HK Outdoor	Digital Investments	Corporate	Group elimination	Total
Revenue from external customers	235,483	30,871	5,688	–	(265)	**271,777**
Share of profits of associate & joint ventures	–	–	468	–	–	**468**
Segment result	84,596	1,206	1,263	(15,244)	–	**71,821**
Segment assets	524,227	22,540	30,654	170,701	–	**748,122**
Segment liabilities	14,711	12,376	3,561	137,758	–	**168,406**
Reconciliation of segment result to profit before income tax from continuing operations						
Segment result						**71,821**
Depreciation and amortisation[A]						**(4,639)**
Net finance costs						**(5,988)**
Other costs[B]						**889**
Profit before income tax from continuing operations						**62,083**

Explanation of statutory adjustments

(A) Consists of depreciation of $3.9 million and amortisation of $0.8 million. Refer to note 2.2.

(B) Reversal of earn-out provision related to the 2016 Conversant Media acquisition ($1,367,000), offset by decommissioning and onerous lease costs relating to Hong Kong Outdoor ($478,000).

(III) OTHER SEGMENT INFORMATION

The Group is domiciled in Australia and operates predominantly in Australia and Hong Kong. Revenue from external customers in Australia is $227.9 million (2018: $240.9 million) and in Asia is $24.8 million (2018: $30.9 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 $545.2 million (2018: $556.8 million) and in Hong Kong is $36.1 million (2018: $5.5 million). Segment assets are allocated to countries based on where the assets are located.

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.

Notes to the Consolidated Financial Statements (continued)

2.4 EARNINGS PER SHARE

	2019 $'000	2018 $'000
(a) Reconciliation of earnings used in calculating earnings per share (EPS)		
(Loss)/profit from continuing operations attributable to owners of the parent entity	**(14,195)**	37,535
Profit from discontinued operations attributable to owners of the parent entity	**–**	188,009
(Loss)/profit attributable to owners of the parent entity used in calculating basic/diluted EPS	**(14,195)**	225,544

	Number	Number
(b) Weighted average number of shares		
Weighted average number of shares used as the denominator in calculating basic EPS	**284,497,535**	307,611,412
Weighted average number of treasury shares	**(892,515)**	(82,439)
Adjusted for calculation of diluted EPS:		
Unvested/unexercised rights	**1,264,796**	1,092,545
Weighted average number of shares used as the denominator in calculating diluted EPS	**284,869,816**	308,621,518

While rights have been issued to Executive Key Management Personnel (Executive KMP) under the 2019 Total Incentive Plan (TIP), there is no certainty these rights will vest, and if they do, it is the Company's current intention to satisfy any rights by acquiring shares on-market, consistent with recent practice.

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 (continued)

3 OPERATING ASSETS AND LIABILITIES

3.1 INTANGIBLE ASSETS

2018 $'000	Goodwill	Software	Radio licences	Brands	Licences and relationships	Total
Cost	55,081	4,544	375,284	1,945	–	**436,854**
Accumulated amortisation and impairment	–	(3,183)	(3,670)	(416)	–	**(7,269)**
Net book amount	**55,081**	**1,361**	**371,614**	**1,529**	**–**	**429,585**
Movements						
Opening net book amount	273,796	3,813	372,170	4,623	114,833	**769,235**
Additions (i)	–	3,136	–	6	–	**3,142**
Sale of Adshel (ii)	(219,733)	(6,476)	–	(2,149)	(110,029)	**(338,387)**
Transfers and other adjustments	–	1,238	–	–	–	**1,238**
Amortisation (i)	–	(350)	(556)	(956)	(5,329)	**(7,191)**
Foreign exchange differences (i)	1,018	–	–	5	525	**1,548**
Closing net book amount	**55,081**	**1,361**	**371,614**	**1,529**	**–**	**429,585**

(i) Movements partially relate to Adshel prior to sale.
(ii) Refer to note 7.1 for further details.

2019 $'000	Goodwill	Software	Radio licences	Brands	Licences and relationships	Total
Cost	55,100	3,564	375,284	1,945	–	**435,893**
Accumulated amortisation and impairment	–	(2,547)	(4,011)	(1,938)	–	**(8,496)**
Net book amount	**55,100**	**1,017**	**371,273**	**7**	**–**	**427,397**
Movements						
Opening net book amount	55,081	1,361	371,614	1,529	–	**429,585**
Additions	–	187	–	–	–	**187**
Transfers and other adjustments	–	(390)	–	–	–	**(390)**
Amortisation	–	(34)	(341)	(192)	–	**(567)**
Sale of business (iii)	–	(108)	–	(1,330)	–	**(1,438)**
Foreign exchange differences	19	1	–	–	–	**20**
Closing net book amount	**55,100**	**1,017**	**371,273**	**7**	**–**	**427,397**

(iii) Relates to the disposal of intangible assets of The Roar Sports Media Pty Ltd.

Notes to the Consolidated Financial Statements (continued)

3.1 INTANGIBLE ASSETS (CONTINUED)

ACCOUNTING POLICY

Summary of goodwill and other intangible assets

Asset	Useful life	Amortisation method	Acquired or Internally generated
Goodwill	Indefinite	No amortisation	Acquired
Software	3-5 years	Straight-line basis	Internally generated and acquired
Radio licences (commercial)	Indefinite	No amortisation	Acquired
Radio licence (digital)	20 years	Straight-line basis	Acquired
Brands – 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

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*. The Directors understand that the revocation of a radio licence has never occurred in Australia and have no reason to believe the licences will not be renewed from time to time for the maximum period allowable under the Act and without imposition of any conditions. As a result, the radio licences have been assessed to have indefinite useful lives.

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 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 (continued)

3.1 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	2019 Goodwill $'000	2019 Other non-amortising intangible assets $'000	2018 Goodwill $'000	2018 Other non-amortising intangible assets $'000
Australian Radio Network	**51,494**	**367,451**	51,494	367,451
HK Outdoor	**3,116**	**–**	3,097	–
Emotive	**490**	**–**	490	–
Total goodwill and other non-amortising intangible assets	**55,100**	**367,451**	55,081	367,451

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

A comprehensive impairment review was conducted at 31 December 2019. The recoverable amount of each CGU that includes goodwill or indefinite life intangible assets was reviewed.

The recoverable amounts of the Australian Radio Network and HK Outdoor CGUs were based on value in use calculations, using management budgets and forecasts for a 3 year and 5 year period, respectively, after adjusting for central overheads. The forecast used for the HK Outdoor CGU value in use calculation has been extended to a 5 year period (from 3 years) to accommodate a steady recovery in the Hong Kong economy in the medium term following recent political unrest.

The key assumptions used to calculate the recoverable amount are presented overleaf:

Notes to the Consolidated Financial Statements (continued)

3.1 INTANGIBLE ASSETS (CONTINUED)

(i) Cash flows

Year 1 cash flows	Based on Board approved annual budget.
Years 2, 3, 4 and 5 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: • market growth in the Australian Radio Network CGU is forecast across the cash flow period. The revenue forecast assumes the Australian Radio Network CGU will gain additional market share or reclaim lost market share through continued investment in content, marketing and operations; • market growth in the HK Outdoor CGU is forecast across the cash flow period. The revenue forecast assumes HK Outdoor CGU will gain additional market share through investment in sales and marketing capabilities and key site contracts. Future yield growth in the existing asset base is also assumed; • 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, considering existing contractual arrangements; and • management have considered the impact of the Hong Kong protests and civil unrest within the cash flow forecast for the HK CGU. Management will continue to monitor the Hong Kong economic climate for other factors which may have a financial impact on the HK CGU.
Beyond 3 or 5 year cash flows	Cash flows beyond 3 (Australian Radio Network) or 5 (HK Outdoor) 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	2019 Pre-tax discount rate per annum	2019 Long-term growth rate per annum	2018 Pre-tax discount rate per annum	2018 Long-term growth rate per annum
Australian Radio Network	**13.6%[(i)]**	**2.0%**	13.6%[(i)]	2.0%
HK Outdoor	**12.4%[(i)]**	**2.0%**	12.4%[(i)]	2.0%

(i) Post tax-rate equivalents of the pre-tax rates noted above are 10%.

No impairment was recognised for these CGUs at 31 December 2019.

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 purpose 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 (continued)

3.2 PROPERTY, PLANT AND EQUIPMENT

2018 $'000	Freehold land	Buildings	Plant and equipment	Total
Cost or fair value	1,083	707	67,511	**69,301**
Accumulated depreciation and impairment	–	(119)	(56,090)	**(56,209)**
Capital works in progress	–	–	3,558	**3,558**
Net book amount	**1,083**	**588**	**14,979**	**16,650**
Movements				
Opening net book amount	1,083	625	82,390	**84,098**
Additions(i)	–	–	17,484	**17,484**
Depreciation(i)	–	(37)	(11,574)	**(11,611)**
Transfers and other adjustments(i)	–	–	(990)	**(990)**
Sale of Adshel(ii)	–	–	(72,558)	**(72,558)**
Foreign exchange differences(i)	–	–	227	**227**
Closing net book amount	**1,083**	**588**	**14,979**	**16,650**

(i) Movements partially relate to Adshel prior to sale.
(ii) Refer to note 7.1 for further details.

2019 $'000	Freehold land	Buildings	Plant and equipment	Total
Cost or fair value	2,391	986	72,746	**76,123**
Accumulated depreciation and impairment	–	(49)	(59,014)	**(59,063)**
Capital works in progress	–	–	5,072	**5,072**
Net book amount	**2,391**	**937**	**18,804**	**22,132**
Movements				
Opening net book amount	1,083	588	14,979	**16,650**
Additions	–	–	7,793	**7,793**
Depreciation	–	(105)	(4,085)	**(4,190)**
Transfers and other adjustments	–	73	319	**392**
Disposal	–	–	(204)	**(204)**
Revaluation of freehold land and buildings	1,308	381	–	**1,689**
Foreign exchange differences	–	–	2	**2**
Closing net book amount	**2,391**	**937**	**18,804**	**22,132**

Notes to the Consolidated Financial Statements (continued)

3.2 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 asset revaluation reserve 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 asset revaluation reserve 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.

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;
- plant and equipment: 3-25 years; and
- motor vehicles: 4-7 years.

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 (continued)

3.3 LEASES

As a lessee, the Group leases several assets including property, advertising spaces, motor vehicles and other equipment. The average lease term is 4 years.

(i) AMOUNTS RECOGNISED IN THE BALANCE SHEET

	31 December 2019 $'000	1 January 2019 $'000*
Property	23,788	14,746
Advertising concession agreements	26,632	32,803
Motor vehicle and other	583	903
Total right-of-use assets	51,003	48,452
Current	14,315	13,495
Non-current	44,816	40,748
Total lease liabilities	59,131	54,243

* For the adjustments recognised on adoption of AASB 16 *Leases* on 1 January 2019, please refer to note 1.

Additions to the right-of-use assets during the 2019 financial year were $15.9 million.

KEY JUDGEMENTS AND ESTIMATES

Whenever changes in circumstances indicate that the right-of-use asset carrying amount may exceed its recoverable amount, the Group applies judgement when testing whether right-of-use assets have suffered any impairment. An impairment charge is recognised for the amount by which the right-of-use asset's carrying amount exceeds its recoverable amount. Right-of-use assets that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

Lease liabilities by relevant maturity groupings[i]:

	31 December 2019 $'000
Not later than 1 year	16,247
Later than 1 year and not later than 5 years	33,997
Later than 5 years	20,422
	70,666

(i) Maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

(II) AMOUNTS RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS

The statement of profit or loss shows the following amounts relating to leases:

	2019 '000
Property	3,678
Advertising concession agreements	10,020
Motor vehicle and other	323
Depreciation charge of right-of-use assets	14,021
Interest expense on lease liabilities	2,343
Rental and occupancy expense relating to short-term leases	2,387
Rental and occupancy expense relating to variable lease payments not included in the measurement of the lease liability	2,367

The total cash outflow for leases in 2019 was $15.8 million.

Notes to the Consolidated Financial Statements (continued)

3.3 LEASES (CONTINUED)

ACCOUNTING POLICY

Until the end of the 2018 financial year, leases of property, plant and equipment were classified as operating leases; See note 1 for details. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

The Group leases various properties, advertising spaces, motor vehicles and other equipment. Rental contracts are typically made for fixed periods of 1 to 15 years, but may be in excess of 20 years and include extension options.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Lease liabilities

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability excludes non-lease components including variable lease amounts which are not linked to a rate or index. These components are expensed as incurred.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal 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.

Incremental borrowing rate

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Notes to the Consolidated Financial Statements (continued)

3.3 LEASES (CONTINUED)

ACCOUNTING POLICY (CONTINUED)

Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Rental and occupancy expense

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Rental outgoings are treated as non-lease components and are recognised as expense in profit or loss. Other property expenses which do not transfer substantially all of the asset's economic benefits to the Group are recognised on a straight-line basis as expense in profit or loss.

Notes to the Consolidated Financial Statements (continued)

3.4 RECEIVABLES

	Note	2019 $'000	2018 $'000
Trade receivables		**44,155**	52,202
Loss allowance	4.3	**(550)**	(529)
		43,605	51,673
Other receivables		**2,095**	3,504
Total receivables		**45,700**	55,177

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 4.3 for credit risk and note 4.4 for fair value information.

ACCOUNTING POLICY

Trade receivables are generally settled within 30 to 45 days and therefore classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. Due to their short-term nature, the carrying value represents fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Details about the group's impairment policies and the calculation of the loss allowance are provided in note 4.3(b).

Notes to the Consolidated Financial Statements (continued)

3.5 PROVISIONS

	2019 $'000	2018 $'000
Current		
Employee benefits	**4,920**	5,083
Contingent consideration	**–**	1,500
Onerous contracts	**4,897**	–
Provision for uncertain tax treatment	**3,000**	–
Other	**–**	400
Total current provisions	**12,817**	6,983
Non-current		
Employee benefits	**1,191**	1,045
Other	**3,993**	3,205
Total non-current provisions	**5,184**	4,250

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

2019	Onerous contracts $'000	Provision for uncertain tax treatment $'000	Contingent consideration $'000	Other $'000	Total $'000
Carrying amount at beginning of the year	–	–	1,500	3,605	**5,105**
Additional amounts recognised	4,897	3,000	–	842	**8,739**
Amounts used	–	–	(1,016)	(453)	**(1,469)**
Amounts reversed	–	–	(484)	–	**(484)**
Foreign exchange differences	–	–	–	(1)	**(1)**
Carrying amount at end of the year	**4,897**	**3,000**	**–**	**3,993**	**11,890**

The onerous contracts provision refers to financial guarantee costs related to Unbnd Group Pty Ltd, a joint venture which was sold on 19 September 2019 (refer to note 6.4).

The provision for uncertain tax treatment is in relation to a legacy financing arrangement (refer to note 5.1).

Notes to the Consolidated Financial Statements (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 consolidated 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.

Contingent consideration

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.

Onerous contracts

The onerous contracts provision represents contract 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 committed cost discounted to present value.

Provision for uncertain tax treatment

Where there is uncertainty over income tax treatments, the Group applies AASB Interpretation 23 *Uncertainty over Income Tax Treatments* to determine how to recognise and measure deferred and current income tax assets and liabilities (refer to note 5.1).

Notes to the Consolidated Financial Statements (continued)

4 CAPITAL MANAGEMENT

4.1 INTEREST BEARING LIABILITIES

(A) 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 dividends paid to shareholders;
- return capital to shareholders;
- issue new shares; or
- sell assets to reduce debt.

(B) STANDBY ARRANGEMENTS AND CREDIT FACILITIES

Entities in the Group have access to:	2019 $'000	2018 $'000
Loan facilities (i)		
Unsecured bank loan facilities	**259,146**	259,053
Amount of facility utilised (ii)	**(9,150)**	(3,023)
Amount of available facility	**249,996**	256,030
Overdraft facilities		
Unsecured bank overdraft facilities	**1,500**	1,500
Amount of credit utilised	**–**	–
Amount of available credit	**1,500**	1,500

(i) Pertaining to the revolving cash advance facility.
(ii) Relating to bank guarantees drawn.

During the year, the Group extended the majority of its debt facilities by one year to 1 January 2024. There were no bank loans drawn as at 31 December 2019 and 2018.

Net borrowing costs of $1,644,000 (2018: $2,058,000) are disclosed in other non-current assets on the balance sheet.

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 are shown as an asset in the balance sheet.

Notes to the Consolidated Financial Statements (continued)

4.2 CASH FLOW INFORMATION

RECONCILIATION OF CASH

	2019 $'000	2018 $'000
Cash at end of the year, as shown in the statement of cash flows, comprises:		
Cash at bank and on hand	**110,972**	128,355
The below reconciliation relates to both continued and discontinued operations.		
Reconciliation of (loss)/profit for the year to net cash inflows/(outflows) from operating activities:		
(Loss)/profit for the year	**(9,850)**	231,029
Depreciation and amortisation	**18,778**	18,802
Borrowing costs amortisation	**676**	547
Share of profits of associate and joint ventures	**(2,527)**	(468)
Interest income from associate and joint venture	**(71)**	(79)
Dividend income	**(524)**	–
Other non-cash items	**300**	439
Joint venture impairment and related closure costs	**5,423**	–
Loss on disposal of investment in joint venture	**13,355**	–
Loss on disposal of business	**1,508**	–
Share-based payments expense	**1,000**	1,281
Gain on sale of Adshel	**–**	(179,073)
Gains on financial assets held at fair value through profit or loss	**(2,037)**	(1,912)
Net loss/(gain) on sale of non-current assets	**4**	(59)
Provisions for uncertain tax treatments	**33,000**	–
Changes in assets and liabilities net of effect of acquisitions and changes in accounting policy:		
Trade and other receivables	**8,488**	(2,170)
Inventories	**–**	757
Prepayments	**(2,693)**	(6,802)
Change in current tax /deferred tax liabilities	**(15,295)**	(54,089)
Trade and other payables and provision for employee benefits	**(4,701)**	(13,409)
Net cash inflows/(outflows) from operating activities	**44,834**	(5,206)

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 (continued)

4.3 FINANCIAL 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 will use 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

As at 31 December 2019, the Group had no long-term borrowings outstanding. The Group is exposed to interest rates risk through its cash and cash equivalents balance. A change of +/- 1% per annum with all other variables being constant would impact equity and net profit by $0.8 million. 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 the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk principally arises from customer receivables, cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions and financial guarantees (refer to note 7.2 for details).

For banks and financial institutions, the creditworthiness is assessed prior to entering into arrangements and approved by the Board.

For customer receivables, 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.

Where appropriate, the Group undertakes all of its transactions in foreign exchange contracts with financial institutions.

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement when determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss (ECL). The Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience, current market conditions as well as forward-looking estimates at the end of each reporting period.

Notes to the Consolidated Financial Statements (continued)

4.3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Trade receivables and contract assets

The Group applies the AASB 9 *Financial Instruments* simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the ECL rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The ECL rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On this basis, the loss allowance determined for trade receivables as at 31 December 2018 and 2019 is as follows:

		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
2018						
Expected credit loss %	0.0%	1.4%	4.3%	33.7%	62.5%	
Trade receivables – gross carrying amount	39,989	9,222	2,248	578	165	52,202
Loss allowance	**(9)**	**(126)**	**(96)**	**(195)**	**(103)**	**(529)**

		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
2019						
Expected credit loss %	0.4%	4.8%	11.6%	18.6%	59.7%	
Trade receivables – gross carrying amount	41,181	1,471	814	456	233	44,155
Loss allowance	**(161)**	**(71)**	**(94)**	**(85)**	**(139)**	**(550)**

The loss allowances for trade receivables as at 31 December reconcile to the opening loss allowances as follows:

	2019 $'000	2018 $'000
Opening loss allowance as at 1 January	**529**	781
Expected credit losses recognised in profit or loss	**96**	–
Sale of Adshel [(i)]	**–**	(155)
Receivables written off as uncollectible	**(75)**	(97)
Closing loss allowance at 31 December	**550**	529

(i) Refer to note 7.1 for further details.

Notes to the Consolidated Financial Statements (continued)

4.3 FINANCIAL 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 Group analyses financial liabilities, including interest to maturity, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Financial liabilities include trade and other payables and lease liabilities.

The contractual undiscounted cash flows attributed to trade and other payables amounted to $24,092,000 (2018: $24,250,000) which are all due within one year. This excludes any non-current amounts that do not meet the definition of a financial liability under Australian Accounting Standards (2018: $610,000).

The relevant maturity groupings for lease liabilities are detailed in note 3.3. Details of credit standby arrangements and loan facilities are included in note 4.1.

Notes to the Consolidated Financial Statements (continued)

4.4 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; 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 2018 and 2019:

2018	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	6.3	–	–	35,403	**35,403**
Total financial assets		–	–	35,403	**35,403**
Non-financial assets					
Freehold land and buildings					
Freehold land	3.2	–	–	1,083	**1,083**
Buildings	3.2	–	–	588	**588**
Total non-financial assets		–	–	1,671	**1,671**

2019	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	6.3	–	–	37,346	**37,346**
Total financial assets		–	–	37,346	**37,346**
Non-financial assets					
Freehold land and buildings					
Freehold land	3.2	–	–	2,391	**2,391**
Buildings	3.2	–	–	937	**937**
Total non-financial assets		–	–	3,328	**3,328**

Notes to the Consolidated Financial Statements (continued)

4.4 FAIR VALUE MEASUREMENTS (CONTINUED)

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.

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

The fair value of lease liabilities disclosed in note 3.3 is estimated by discounting the minimum lease payments at the Group's incremental borrowing rate. For the period ended 31 December 2019, the borrowing rates were determined to be between 3.4% and 5.2% per annum, depending on the type of lease.

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 6.3, which are valued using discount rates, forecast cash flows, EBITDA multiples estimated by management based on comparable transactions and industry data.

The Group obtains independent valuations at least every three to five years for its freehold land and buildings (classified as property, plant and equipment in note 3.2), 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 $2.0 million (2018: $1.9 million) was recorded in other income for shares in other corporations. Further, freehold land and buildings were adjusted to reflect independent valuations carried out in the year (refer to note 3.2). There were no other material level 3 fair value movements during the year.

4.5 CONTRIBUTED EQUITY

	2019 $'000	2018 $'000
Issued and paid up share capital	**1,483,685**	1,492,555

(A) MOVEMENTS IN CONTRIBUTED EQUITY DURING THE FINANCIAL YEAR

	2019 Number shares	2018 Number shares	2019 $'000	2018 $'000
Balance at beginning of the year	**285,598,399**	308,912,092	**1,492,555**	1,531,567
Share buy-back[(i)]	**(5,369,239)**	(23,313,693)	**(8,870)**	(39,012)
Balance at end of the year	**280,229,160**	285,598,399	**1,483,685**	1,492,555

(i) During 2019, the Company purchased and cancelled on-market 5.4 million shares (2018: 23.3 million). The shares were acquired at an average price of $1.65 per share (2018: $1.67).

(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, attorney or corporate representative 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 (continued)

4.6 SHARE-BASED PAYMENTS

	2019 Number of rights	2018 Number of rights
As at 1 January	**1,446,914**	1,049,753
Granted	**189,099**	936,245
Exercised	**(327,400)**	(1,111,599)
Forfeited	**–**	(7,813)
Other changes	**83,318**	580,328
As at 31 December	**1,391,931**	1,446,914

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

		Weighted	Rights	
Incentive plan	Vesting date	average fair value	2019	2018
2017 TIP[1]	1–Jan–19	$2.27	**–**	327,400
2018 TIP[2, 3]	1–Jan–20	$1.84	**1,190,966**	1,119,514
2019 TIP[4]	1-Jan-21	$1.60	**200,965**	–
As at 31 December			**1,391,931**	1,446,914

	2019	2018
Weighted average remaining contractual life of rights outstanding at end of period	**0.1 year**	0.8 years

(1) 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 was not made to the CEO & Managing Director until after shareholder approval had been received at the Annual General Meeting, and for all other Executive KMP on 14 February 2018. The 2017 TIP required that participants receive an additional allocation of shares at vesting equal to the dividends paid on vested rights over the performance and service period. 142,548 additional rights were issued to satisfy this requirement in respect of 2018. This is disclosed in other changes in the 2018 reconciliation above.

(2) The date on which the fair value of the 2018 TIP rights were calculated, is the deemed grant date of the rights for accounting purposes. An actual grant of rights was not made to the CEO & Managing Director until after shareholder approval had been received at the Annual General Meeting, and for all other Executive KMP on 13 February 2019. The 2018 TIP required that participants receive an additional allocation of shares at vesting equal to the dividends paid on vested rights over the performance and service period. 437,780 additional rights were issued to satisfy this requirement in respect of 2018. This is disclosed in other changes in the 2018 reconciliation above.

(3) The 2018 TIP requires that participants receive an additional allocation of shares at vesting equal to the dividends paid on vested rights over the performance and service period. 83,318 additional rights were issued to satisfy this requirement in respect of 2019. This is disclosed in other changes in the 2019 reconciliation above.

(4) The date on which the fair value of the 2019 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 KMP on a date to be determined after this annual report has been issued.

Share-based payments expense related to the above tables for the year was $1,000,000 (2018: $1,281,000).

Further information of the rights granted to Executive KMP is contained in the Remuneration Report found on pages 28 to 44 of the Annual Report.

The TIP, encompassing the 2019 financial year, provides for the grant of rights which will convert to fully paid ordinary shares following the achievement of performance measures in 2019, and satisfaction of a one-year service period.

Notes to the Consolidated Financial Statements (continued)

4.6 SHARE-BASED PAYMENTS (CONTINUED)

ACCOUNTING POLICY

Share-based compensation benefits are provided to employees via share-based payments as part of a Total Incentive Plan (TIP).

The fair value of rights granted under the TIP 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 is derived using the closing share price on the grant date.

The fair value of the rights granted is adjusted to reflect any market vesting condition but excludes the impact of 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 (continued)

4.7 RESERVES AND ACCUMULATED LOSSES

	2019 $'000	2018 $'000
Reserves		
Asset revaluation reserve	**2,361**	786
Foreign currency translation reserve	**(45)**	11
Share-based payments reserve	**10,422**	9,829
Hedging reserve	**–**	–
Transactions with non-controlling interests reserve	**(53,283)**	(53,283)
Treasury shares reserve	**(3,198)**	(1,152)
Total reserves	**(43,743)**	(43,809)
Asset revaluation reserve		
Balance at beginning of the year	**786**	786
Revaluation of freehold land and buildings	**1,575**	–
Balance at end of the year	**2,361**	786
Foreign currency translation reserve		
Balance at beginning of the year	**11**	(5,239)
Reclassification of foreign currency translation reserve to profit or loss on sale of Adshel	**–**	3,504
Net exchange difference on translation of foreign operations	**(56)**	1,746
Balance at end of the year	**(45)**	11
Share-based payments reserve		
Balance at beginning of the year	**9,829**	9,347
Share-based payments expense	**1,000**	1,418
Transfers within equity	**70**	(112)
Issue of shares to employees	**(477)**	(824)
Balance at end of the year	**10,422**	9,829
Hedging reserve		
Balance at beginning of the year	**–**	(544)
Net gain on fair value hedges	**–**	544
Balance at end of the year	**–**	–
Transactions with non-controlling interests reserve		
Balance at beginning of the year	**(53,283)**	(53,283)
Balance at end of the year	**(53,283)**	(53,283)
Treasury shares reserve		
Balance at beginning of the year	**(1,152)**	(1,779)
Issue of treasury shares	**(2,537)**	(197)
Transfers within equity	**14**	–
Treasury shares vested to employees	**477**	824
Balance at end of the year	**(3,198)**	(1,152)

Notes to the Consolidated Financial Statements (continued)

4.7 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 3.2. 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 7.5.

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 4.6.

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.

TRANSACTIONS WITH NON-CONTROLLING INTERESTS RESERVE

The transactions with non-controlling interest reserve is used to record the differences described in note 6.2 which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

TREASURY SHARES RESERVE

APN News & Media Employee Share Trust (Trust), a controlled entity, was established in 2017. The Trust purchased 1,432,933 (2018: 107,465) additional shares in the Company during the year. The number of shares which vested to employees during the year was 209,520 (2018: 343,592). The total shareholding in the Company as at 31 December 2019 was 1,728,704 shares at an average price of $1.85 (2018: 505,291 shares at $2.28). This shareholding is disclosed as treasury shares and deducted from equity.

Performance rights that relate to the 2016 and 2017 TIP have vested and converted into shares; however, they have not been issued and remain in the Trust. Treasury shares for the 2018 TIP have been purchased; however, they have not vested yet and therefore remain in the Trust.

Treasury shares for the 2019 TIP are to be purchased after the date of this report.

The treasury shares reserve is used to recognise the value of shares purchased by the Trust.

ACCUMULATED LOSSES

	2019 $'000	2018 $'000
Balance at beginning of the year (i)	**(905,894)**	(887,511)
Change in accounting policy – lease accounting (ii)	**(3,587)**	–
Restated total at beginning of the financial year	**(909,481)**	(887,511)
(Loss)/profit attributable to owners of the parent entity	**(14,195)**	225,544
Transfer from reserves	**(84)**	112
Dividends paid to shareholders	**(22,776)**	(244,039)
Balance at end of the year	**(946,536)**	(905,894)

(i) During the year the Group made an adjustment to prior period deferred tax liabilities. As a result, deferred tax liabilities decreased by $7,584,000 (refer to note 5.1) and accumulated losses decreased by $7,584,000. The income statement for the prior year was not adjusted as the amount relating to the comparative period is insignificant.

(ii) The Group has initially applied AASB 16 *Leases* at 1 January 2019. Under the modified retrospective transition method chosen, comparative information has not been restated. Refer to note 1.

Notes to the Consolidated Financial Statements (continued)

4.8 DIVIDENDS

	2019 $'000	2018 $'000
Final dividend for the year ended 31 December 2018 of 4.0 cents per share, fully franked, paid on 15 March 2019 (2017: 4.0 cents)	**11,424**	12,357
Paid in cash	**11,424**	12,357
Interim dividend for the year ended 31 December 2019 of 4.0 cents per share fully franked (2018: 3.0 cents)	**11,352**	9,267
Paid in cash	**11,352**	9,267
Special dividend for the year ended 31 December 2018 of 72.0 cents per share fully franked	–	222,415
Paid in cash	–	222,415
Total dividends	**22,776**	244,039
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	**21,449**	11,393
Dividends not recognised at year end		
Since year end, the Directors have declared a fully franked final dividend of 4.6 cents per share. The aggregate amount of the dividend expected to be paid on 23 March 2020 out of retained profits at 31 December 2019, but not recognised as a liability at year end, is:	**12,891**	11,424

4.9 COMMITMENTS

From 1 January 2019, the Group has recognised lease liabilities and right-of-use assets in respect of operating leases and rental commitments, except for short-term and low-value leases. Refer to note 3.3(I) for the maturity profile of lease liabilities as at 31 December 2019.

The below summarises commitments for minimum lease payments in relation to operating leases and rental commitments contracted for but not recognised as liabilities as at 31 December 2018, prior to adoption of AASB 16 *Leases*:

Minimum lease payments

	2018 $'000
Not later than one year	14,269
Later than one year but not later than five years	30,339
Later than five years	4
Total operating lease and rental commitments	44,612
Representing:	
Cancellable operating leases and rental commitments	31
Non-cancellable operating leases and rental commitments	44,581
Total operating lease and rental commitments	44,612

	2019 $'000	2018 $'000
Capital expenditure contracted for at balance date but not recognised as liabilities	–	688

Notes to the Consolidated Financial Statements (continued)

5 TAXATION

5.1 INCOME TAX AND DEFERRED TAX

(A) INCOME TAX

	2019 $'000	2018 $'000
Current tax expense	**9,482**	33,607
Provisions for uncertain tax treatments	**33,000**	–
Deferred tax benefit/(expense)	**502**	(5,666)
Adjustment for current tax of prior periods	**(3,105)**	(162)
Income tax expense	**39,879**	27,779
Income tax expense is attributable to:		
Profit from continuing operations	**39,879**	19,063
Profit from discontinued operations	**–**	8,716
Total income tax expense	**39,879**	27,779
Income tax expense differs from the prima facie tax as follows:		
Profit before income tax expense	**30,029**	258,808
Prima facie income tax at 30%	**9,009**	77,642
Difference in international tax treatments and rates	**109**	339
Provisions for uncertain tax treatments	**33,000**	–
Non-deductible amortisation	**205**	–
Foreign exchange losses	**(231)**	–
Adjustment for current tax of prior periods	**(3,105)**	(162)
Tax losses written off/not recognised	**133**	19
Utilisation of unrecognised capital losses and capital gain tax exemptions	**–**	(54,187)
Adshel sale transaction costs	**–**	3,437
Other	**759**	691
Income tax expense	**39,879**	27,779

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.

Notes to the Consolidated Financial Statements (continued)

5.1 INCOME TAX AND DEFERRED TAX (CONTINUED)

New Zealand branch matter

On 22 January 2018 and 1 May 2018, the Australian Taxation Office (ATO) issued amended income tax assessments in relation to the previously disclosed New Zealand branch matter (involving 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 Limited on 29 June 2016.

The amended assessments are for the financial years ended 31 December 2009 to 31 December 2015 inclusive and HT&E has been advised the ATO intends to expand its position to the year ended 31 December 2016.

On 2 August 2018, the ATO determined its position on the application of penalties and interest relating to the New Zealand branch matter. The ATO is seeking to apply penalties at the rate of 50% to the years 2009 to 2015.

In summary, the ATO's current position in relation to this matter involves $102.5 million of tax adjustments plus $49 million of penalties plus $27.5 million of interest.

The issue of amended assessments represents a formalisation of the ATO's position. HT&E has lodged objections with the ATO regarding the assessments for the years ended 31 December 2009 to 31 December 2016 inclusive, and objections to the penalties and interest assessments. While these dispute processes are being completed, the taxpayer is typically required to deposit with the ATO 50% of the tax in dispute. The deposit, totalling $50.7 million, was paid in two instalments, with $35.7 million paid on 15 February 2018 and $15.0 million paid on 25 May 2018.

The Company continues to consult with its advisers. The Company remains satisfied that its treatment of the New Zealand branch matter is consistent with relevant taxation legislation and will if necessary, contest the matter through litigation proceedings. The potential outcomes include resolution through litigation or settlement, which may involve no payment, or payment of either a portion or the entire amount at risk.

Other matters: New Zealand financing arrangement

The ATO is also auditing other matters within the Group covering the financial years ended 31 December 2010 to 31 December 2013 inclusive. One matter involved a financing arrangement involving the Company's former New Zealand operations. This legacy financing arrangement was effectively unwound in 2016 (with the demerger of NZME Limited) and is unrelated to the New Zealand branch matter above. The ATO has disputed the tax treatment of this financing arrangement.

As at the date of this report, there is no certainty as to whether any other proposed adjustments or disputes will be raised by the ATO as a result of any matters under review in this audit.

AASB Interpretation 23 *Uncertainty over Income Tax Treatments*

AASB Interpretation 23 *Uncertainty over Income Tax Treatments* applies for annual reporting periods beginning from 1 January 2019 and clarifies the application of the recognition and measurement criteria where there is uncertainty over income tax treatments.

In respect of the New Zealand branch matter, given the range of possible outcomes and in light of recent correspondence and discussions with the ATO and consultation with the Company's advisers, AASB Interpretation 23 has been applied using the sum of the probability-weighted amounts to predict the resolution of the uncertainty. A tax expense of $30 million has been recorded in respect of the New Zealand branch matter in line with the requirements of AASB Interpretation 23. This figure is an estimate involving judgement of the probability-weighted amounts and may not reflect the final outcome. This amount is offset against the deposit of tax in dispute.

In respect of the New Zealand financing arrangement, similarly given the range of possible outcomes and in light of recent correspondence and discussions with the ATO and consultation with the Company's advisers, AASB Interpretation 23 has been applied using the sum of the probability-weighted amounts to predict the resolution of the uncertainty. A tax expense of $3 million has been recorded in respect of the New Zealand financing arrangement in line with the requirements of AASB Interpretation 23. This figure is an estimate involving judgement of the probability-weighted amounts and may not reflect the final outcome. This amount is included in provisions as disclosed in note 3.5.

Notes to the Consolidated Financial Statements (continued)

5.1 INCOME TAX AND DEFERRED TAX (CONTINUED)

ACCOUNTING POLICY

The new AASB Interpretation 23 *Uncertainty over Income Tax Treatments* explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored;
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method best predicts the resolution of the uncertainty; and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

While there are no new disclosure requirements, the Group used the guidance of this Interpretation to provide information about judgements and estimates made in relation to its existing tax in dispute matters.

(B) DEFERRED TAX ASSETS AND LIABILITIES

2018	Balance 1 Jan 18 $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Other movements $'000 (ii)	Balance 31 Dec 18 $'000
Employee benefits	2,399	78	–	(643)	**1,834**
Doubtful debts	235	(30)	–	(46)	**159**
Accruals/restructuring	9,570	(4,987)	2	(2,051)	**2,534**
Intangible assets	(146,376)	1,756	(153)	34,087	**(110,686)**
Depreciation	(8,861)	1,183	(23)	7,775	**74**
Other (i)	18	(3,666)	–	(241)	**(3,889)**
	(143,015)	(5,666)	(174)	38,881	**(109,974)**

2019	Balance 1 Jan 19 $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Other movements $'000	Balance 31 Dec 19 $'000
Employee benefits	1,834	(29)	–	–	**1,805**
Doubtful debts	159	6	–	–	**165**
Accruals/restructuring	2,534	909	–	–	**3,443**
Intangible assets	(110,686)	1,921	–	–	**(108,765)**
Depreciation	74	92	–	–	**166**
Right-of-use assets (iii)	–	1,262	(4,582)	(3,025)	**(6,345)**
Lease liabilities (iii)	–	(567)	5,529	3,025	**7,987**
Other (i)	(3,889)	(3,092)	(113)	–	**(7,094)**
	(109,974)	502	834	–	**(108,638)**

(i) During the year the Group made an adjustment to prior period deferred tax liabilities. As a result, deferred tax liabilities decreased by $7,584,000 and accumulated losses decreased by $7,584,000 (refer to note 4.7). The income statement for the prior year was not adjusted as the amount relating to the comparative period is insignificant.

(ii) Deferred tax balances relating to Adshel, included in carrying amount of net assets sold.

(iii) The Group has initially applied AASB 16 *Leases* at 1 January 2019. Under the modified retrospective transition method chosen, comparative information has not been restated and the deferred tax effect at transition have been recognised in equity. Refer to note 1.

The Group has not recognised deferred tax assets of $4.1 million (2018: $4.2 million) in respect of HK Outdoor tax losses carried forward.

Notes to the Consolidated Financial Statements (continued)

5.1 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 other 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 (continued)

6 GROUP STRUCTURE

6.1 CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in note 7.5.

Name of entity	Country of incorporation/ establishment	Equity holding 2019 %	2018 %
5AD Broadcasting Company Pty Ltd[1]	Australia	100	100
Actraint No. 116 Pty. Limited[1]	Australia	100	100
Airplay Media Services Pty. Limited[1]	Australia	100	100
APN News & Media Employee Share Trust	Australia	100	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[3]	Malaysia	–	100
Australian Outdoor Pty Limited[1,2]	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
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

Notes to the Consolidated Financial Statements (continued)

6.1 CONTROLLED ENTITIES (CONTINUED)

Name of entity	Country of incorporation/ establishment	Equity holding 2019 %	Equity holding 2018 %
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 Ltd[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 Ltd[1,2]	Australia	**100**	100
HT&E Milperra Pty Ltd	Australia	**100**	100
HT&E Online (Australia) Pty Ltd[1]	Australia	**100**	100
HT&E Operations Ltd[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
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 Roar Sports Media Pty Ltd[1]	Australia	**100**	100
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

Notes to the Consolidated Financial Statements (continued)

6.1 CONTROLLED ENTITIES (CONTINUED)

(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 *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) This company was deregistered during the year.

Notes to the Consolidated Financial Statements (continued)

6.2 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 and country of incorporation	Ownership interest held by the Group 2019	Ownership interest held by the Group 2018	Ownership interest held by non-controlling interests 2019	Ownership interest held by non-controlling interests 2018	Principal activities
Brisbane FM Radio Pty Ltd	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 2019 $'000	Brisbane FM Radio Pty Ltd 2018 $'000
Summarised balance sheet		
Current assets	**4,687**	2,757
Current liabilities	**2,706**	1,102
Current net assets	**1,981**	1,655
Non-current assets	**67,464**	67,585
Non-current liabilities	**44**	29
Non-current net assets	**67,420**	67,556
Net assets	**69,401**	69,211
Accumulated non-controlling interests	**34,700**	36,136
Summarised statement of comprehensive income		
Revenue	**25,316**	28,617
Profit for the period	**8,390**	10,377
Other comprehensive income	**–**	–
Total comprehensive income	**8,390**	10,377
Total comprehensive income allocated to non-controlling interests	**4,195**	5,188
Dividends paid to non-controlling interests	**4,100**	5,200
Summarised statement of cash flows		
Net inflows from operating activities	**8,434**	10,329
Net outflows from investing activities	**(27)**	(11)
Net outflows from financing activities	**(8,930)**	(10,120)
Net (decrease)/increase in cash and cash equivalents	**(523)**	198

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.

Notes to the Consolidated Financial Statements (continued)

6.3 SHARES IN OTHER CORPORATIONS

	Note	2019 $'000	2018 $'000
Shares in other corporations	4.4	**37,346**	35,403

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 2019 $'000	Valuation technique	Unobservable inputs	Range of inputs (probability weighted average)	Relationship of unobservable inputs to fair value
Shares in other corporations	37,346	Discounted cash flows	Cash flow growth factor	Between -6.7% to +3.5% (+2.2%)	Increasing terminal cash growth factor by 50 basis points and lowering discount rate by 100 basis points would increase the fair value by $4.4 million. Lowering terminal cash growth factor by 50 basis points and increasing discount rate by 100 basis points would decrease the fair value by $3.3 million.
			Pre-tax risk-adjusted discount rate	14%	

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 3.4) meet the requirements for measurement at amortised cost based on the purpose for which the assets and liabilities are held and the contractual terms.

Details about the group's impairment policies and the calculation of the loss allowance are provided in note 4.3(b).

Financial assets at fair value

The Group's investments in equity instruments are measured at fair value, determined in the manner described in note 4.4. 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 (continued)

6.4 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	2019 $'000	2018 $'000
Shares in associate and joint ventures		17,314	18,829
Total investments accounted for using the equity method		17,314	18,829
Share of profits of associate and joint ventures	2.3	2,527	468

Set out below are the associate and joint ventures of the Group as at 31 December 2019. 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 2019	Ownership interest 2018	Nature of relationship	Measurement method	Consolidated carrying values 2019 $'000	Consolidated carrying values 2018 $'000
Soprano Design Pty Limited	Australia	**25%**	25%	Associate[1]	Equity method	**17,314**	14,051
HT&E Events Pty Limited	Australia	**50%**	50%	Joint venture[2]	Equity method	–	884
Unbnd Group Pty Ltd	Australia	–	50%	Joint venture[3]	Equity method	–	3,894

(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) The joint venture interest in HT&E Events Pty Limited was written down in June 2019 following the decision to close Gfinity Esports Australia.

(3) The interest in Unbnd Group Pty Ltd, a digital and communications business specialising in emerging media technologies was disposed on 19 September 2019. Refer overleaf for further details on sale.

SALE OF UNBND

HT&E disposed of its 50% share in Unbnd Group Pty Ltd (Unbnd) on 19 September 2019 resulting in a loss on disposal of $13,355,000 inclusive of: $4,500,000 loss allowance on non-current loans; $4,897,000 financial guarantee costs and $322,000 other costs. A contingent receivable of $4,000,000 related to the sale was not recognised, given its nature.

Refer to note 7.2 for details around the financial guarantee provided by the Group in relation to Unbnd.

Notes to the Consolidated Financial Statements (continued)

6.4 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 Group's 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 (continued)

6.5 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:

	2019 $'000	2018 $'000
Balance sheet		
Current assets	**3,614**	360
Total assets	**1,414,651**	1,568,344
Current liabilities	**3,006**	11,649
Total liabilities	**795,907**	728,205
Total equity	**618,744**	840,139
Contributed equity	**1,483,685**	1,492,555
Reserves		
Share-based payments reserve	**10,423**	9,831
Retained earnings		
Opening profit reserve	**58,252**	60,181
Dividends paid to shareholders	**(22,818)**	(244,039)
Profit for the year	**–**	242,110
Closing profit reserve	**35,434**	58,252
Brought forward loss reserve	**(720,499)**	(720,499)
Loss for the year	**(190,299)**	–
Closing loss reserve	**(910,798)**	(720,499)
Total equity	**618,744**	840,139
(Loss)/profit for the year	**(190,299)**	242,110
Total comprehensive income	**(190,299)**	242,110

(B) GUARANTEES ENTERED INTO BY THE PARENT ENTITY

Refer to note 7.2 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 2019 or 31 December 2018.

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 (continued)

6.6 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 6.1.

Set out below is the consolidated income statement and summary of movements in consolidated retained earnings for the year ended 31 December 2019 for the Closed Group:

	2019 $'000	2018 $'000
Revenue from continuing operations	**188,274**	197,151
Other revenue and income	**36,562**	36,838
Expenses from operations before impairment, finance costs, depreciation and amortisation	**(172,388)**	(153,624)
Impairment of Group company investments	**(5,423)**	(81,185)
Finance costs	**(10,464)**	(16,070)
Depreciation and amortisation	**(6,824)**	(4,153)
Share of profits of associate and joint ventures	**2,527**	468
Profit/(loss) before income tax	**32,264**	(20,575)
Income tax expense	**(38,755)**	(17,025)
Loss from continuing operations	**(6,491)**	(37,600)
Profit from discontinued operations	**–**	192,765
(Loss)/profit attributable to owners of the parent entity	**(6,491)**	155,165
Accumulated losses		
Balance at beginning of the year	**(1,030,485)**	(941,722)
Change in accounting policy – lease accounting	**(2,222)**	–
Restated total at beginning of the financial year	**(1,032,707)**	(941,722)
(Loss)/profit attributable to owners of the parent entity	**(6,491)**	155,165
Dividends paid to shareholders	**(22,776)**	(244,039)
Transfers between reserves	**(84)**	111
Balance at end of the year	**(1,062,058)**	(1,030,485)

Notes to the Consolidated Financial Statements (continued)

6.6 DEED OF CROSS GUARANTEE (CONTINUED)

Set out below is the consolidated balance sheet as at 31 December 2019 for the Closed Group:

	2019 $'000	2018 $'000
Current assets		
Cash and cash equivalents	**107,218**	122,489
Receivables	**139,056**	133,654
Tax assets	**3,300**	–
Other current assets	**2,389**	1,521
Total current assets	**251,963**	257,664
Non-current assets		
Other financial assets	**237,681**	235,738
Investments accounted for using the equity method	**17,314**	18,829
Property, plant and equipment	**20,125**	16,066
Right-of-use assets	**20,901**	–
Intangible assets	**347,640**	348,630
Deposit of tax in dispute, net of provision	**20,670**	50,670
Other loans	**–**	6,993
Other non-current assets	**2,616**	2,058
Total non-current assets	**666,947**	678,984
Total assets	**918,910**	936,648
Current liabilities		
Payables	**162,937**	160,061
Lease liabilities	**2,648**	–
Current tax liabilities	**–**	11,342
Provisions	**12,315**	6,458
Total current liabilities	**177,900**	177,861
Non-current liabilities		
Lease liabilities	**23,579**	–
Provisions	**4,850**	4,179
Deferred tax liabilities	**108,752**	110,174
Total non-current liabilities	**137,181**	114,353
Total liabilities	**315,081**	292,214
Net assets	**603,829**	644,434
Equity		
Contributed equity	**1,483,685**	1,492,555
Reserves	**182,202**	182,364
Accumulated losses	**(1,062,058)**	(1,030,485)
Total parent entity interest	**603,829**	644,434
Total equity	**603,829**	644,434

Notes to the Consolidated Financial Statements (continued)

7 OTHER

7.1 DISCONTINUED OPERATIONS

2018

SALE OF ADSHEL

On 25 June 2018, the Group announced it had executed documentation to sell Adshel to oOh!media, subject to regulatory clearance.

Australian Competition and Consumer Commission clearance was obtained on 23 August 2018. Adshel was sold on 28 September 2018 and reported as a discontinued operation. Financial information relating to the discontinued operations for the period to the date of sale is set out below.

Balances in the foreign currency translation reserve in respect of the Group's net investment in Adshel New Zealand were recycled through the income statement.

(a) Financial performance and cash flow information

	28 September 2018 $'000
Revenue and other income	153,342
Expenses before depreciation and amortisation	(119,755)
Depreciation and amortisation	(14,163)
Profit before income tax	19,424
Income tax expense	(5,585)
Profit from operations	13,839
Gain on sale of business	164,845
Onerous contract costs[a]	(3,670)
Write-back of provision[b]	16,125
Income tax expense	(3,130)
Profit after income tax from discontinued operations	188,009

Explanation of items related to discontinued operations
(a) Onerous contract costs relate to one Adshel contract provided for based on expected contract performance.
(b) Release of provision that was not going to be utilised.

	28 September 2018 $'000
Net cash inflows from operating activities	18,639
Net cash inflows from investing activities	549,076
Net cash outflows from financing activities	–
Net increase in cash generated by the division	567,715

Notes to the Consolidated Financial Statements (continued)

7.1 DISCONTINUED OPERATIONS (CONTINUED)

(b) Details of sale

	2018 $'000
Consideration received:	
Enterprise value	**570,000**
Completion adjustments	**2,754**
Total sale consideration	**572,754**
Less: assets and liabilities at date of sale	**(393,741)**
Less: transaction costs and other items	**(14,168)**
Gain on sale of business before income tax	**164,845**
Income tax expense on gain[1]	**–**
Gain on sale of business after income tax	**164,845**

1 Refer to note 5.1(A) for more information on the tax expense.

(c) Assets and liabilities at date of sale

The carrying amounts of assets and liabilities as at the date of sale (28 September 2018) were:

	28 September 2018 $'000
Cash and cash equivalents	**8,202**
Receivables	**35,556**
Inventories	**1,590**
Property, plant and equipment	**72,558**
Intangible assets	**338,387**
Other assets	**14,072**
Total assets of disposal group	**470,365**
Payables	**28,820**
Contract liabilities	**2,006**
Provisions	**10,294**
Deferred tax liabilities	**38,881**
Other liabilities	**127**
Total liabilities of disposal group	**80,128**
Net assets of disposal group	**390,237**
Reclassification of foreign currency translation reserve	**3,504**
Assets and liabilities at date of sale	**393,741**

Notes to the Consolidated Financial Statements (continued)

7.1 DISCONTINUED OPERATIONS (CONTINUED)

ACCOUNTING POLICY

Non-current assets (or disposal group) 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 consolidated balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated 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 consolidated income statement.

Notes to the Consolidated Financial Statements (continued)

7.2 CONTINGENT LIABILITIES

The parent entity and all wholly-owned controlled entities have provided guarantees in respect of banking facilities. As at 31 December 2019, the facilities had been drawn to the extent of $9.1 million (2018: $3.0 million), of which the entire balance pertains to bank guarantees.

During the year, the Company provided a financial guarantee in relation to Unbnd Group Pty Ltd (Unbnd), a joint venture which was disposed on 19 September 2019. The maximum exposure to the Group in relation to this guarantee as at 31 December 2019 was $4,897,000 and the amount has been presented in the balance sheet as a provision (refer to note 3.5) based on the likelihood of settlement.

The Group did not have any other contingent liabilities and contractual commitments as at 31 December 2019 or 31 December 2018.

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.

7.3 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:

	2019 $'000	2018 $'000
Remuneration for audit or review of the financial reports		
PricewaterhouseCoopers – Australian firm	**998**	991
PricewaterhouseCoopers – overseas firm	**83**	78
Remuneration for other assurance services		
PricewaterhouseCoopers – Australian firm	**42**	129
PricewaterhouseCoopers – overseas firm	**8**	7
Total audit and other assurance services	**1,131**	1,205
Remuneration for other services		
PricewaterhouseCoopers – Australian firm		
Tax services		
Consulting and advice	**382**	568
Compliance	**165**	143
Other advisory services	**–**	47
Other services	**2**	–
PricewaterhouseCoopers – overseas firm		
Tax services		
Compliance	**29**	24
Total non-audit services	**578**	782

Notes to the Consolidated Financial Statements (continued)

7.4 RELATED PARTIES

(A) KEY MANAGEMENT PERSONNEL COMPENSATION

	2019 $	2018 $
Short-term employee benefits	**3,332,309**	6,031,545
Post-employment benefits	**172,655**	203,311
Other long-term benefits	**63,287**	22,902
Termination benefits	**2,237,201**	–
Share-based payments	**834,522**	1,751,702
	6,639,974	8,009,460

Detailed remuneration disclosures are provided in the Remuneration Report.

(B) TRANSACTIONS WITH OTHER RELATED PARTIES

There was $nil transactions with other related parties in the 12 months ending 31 December 2019 (2018: $nil).

(C) PAYABLES WITH OTHER RELATED PARTIES

There was $nil payable to related parties as at 31 December 2019 (2018: $nil).

(D) LOANS TO RELATED PARTIES

There was $nil in loans to related parties as at 31 December 2019 (2018: $7.0 million). In 2018, there were loans to HT&E Events Pty Limited and Unbnd Group Pty Ltd.

(E) COMMITMENTS WITH OTHER RELATED PARTIES

There was $nil commitment to related parties as at 31 December 2019 (2018: $nil).

Notes to the Consolidated Financial Statements (continued)

7.5 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 income statement, 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 for the year; 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 (continued)

7.5 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.

STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

New conceptual framework

In March 2018, the IASB issued a new *Conceptual Framework for Financial Reporting* and *Amendments to References to the Conceptual Framework in IFRS Standards*. The new conceptual framework contains new definition and recognition criteria for assets, liabilities, income and expenses where the criteria are not inconsistent with a specific requirement of an accounting standard.

Following this, the AASB has issued an equivalent conceptual framework as well as AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework* which sets out to amend Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the conceptual framework. This amendment applies to annual reporting periods commencing on or after 1 January 2020. The Group has assessed the future impact of the new criteria in the new conceptual framework and expects that there will not be a material impact on the Group.

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.

7.6 SUBSEQUENT EVENTS

Since the end of the financial year, the Directors have declared the payment of a fully franked final dividend of 4.6 cents, to be paid 23 March 2020 (refer to note 4.8).

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 105 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 2019 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 6.1 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 6.6.

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*.

Hamish McLennan

Hamish McLennan
Chairman

Sydney
24 February 2020

Independent Auditor's Report

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 2019 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 2019
- the consolidated income statement for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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.

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Independent Auditor's Report continued

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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 $2,730,000, which represents approximately 5% of the Group's 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 utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable profit related thresholds for listed companies.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Group audit was aligned with the structure of the Group.
- The nature, timing and extent of audit work required on each component of the Group was determined by the component's risk characteristics and financial significance to the Group and consideration 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 financial information
  - specific risk focused audit procedures over Cody Outdoor International (HK) Limited financial information
  - specific risk focused analytical procedures at the Group level.
  - further audit procedures at a Group level, including over the consolidation of the Group's reporting units and the preparation of the financial report.
- For the work performed by other auditors ("component auditors") 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.

Independent Auditor's Report continued

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.

Key audit matter	How our audit addressed the key audit matter
Taxation of New Zealand branch royalty income (Refer to note 5) In the prior year, the Australian Tax Office (ATO) issued amended assessments with adjustments and determined a position on the application of penalties and interest relating to 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. In summary, the ATO's position in relation to this matter involves \$102.5m of tax adjustments plus \$49.0m of penalties plus \$27.5m of interest. In that regard a deposit of \$50.7m was paid to the ATO in the prior the year. The Group continues to consult with its advisers and is satisfied that its treatment is consistent with relevant tax legislation, that penalties should not apply and disagrees with the rate of penalties imposed. The Group has lodged objections with the ATO regarding the amended tax assessments and regarding the assessments of penalties and interest. The Group will if necessary, contest the matter through litigation proceedings. Given the range of possible outcomes and in light of recent correspondence and discussions with the ATO and consultation with the Company's advisers, AASB Interpretation 23 has been applied using the sum of the probability-weighted amounts to predict the resolution of the uncertainty. A tax expense of \$30m has been recorded in respect of the New Zealand branch matter. We considered this a key audit matter because of the significant judgement required by the Group in estimating the future outcome of the taxation authority's assessment (which may include a court), the associated legal processes, and in estimating the provision and 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 considering their independence and technical competence • together with PwC tax experts, considering 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 2016 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 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 sum of the probability-weighted amounts for the range of possible outcomes determined by the Group to estimate the resolution of the uncertain tax matter • 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 continued

Key audit matter	How our audit addressed the key audit matter
Impairment of intangible assets (Refer to note 3.1) At 31 December 2019 the Group had $55.1m of goodwill and $367.5m of non-amortising intangible assets, which is significantly greater than materiality. This relates to the Australian Radio licences within the Australian Radio Network (ARN) cash generating unit (CGU). At 31 December 2019, the Group performed an impairment assessment over the ARN CGU by: • calculating the 'Value in Use' for the CGU, using a discounted cash flow model (the model) • comparing the resulting 'Value in Use' to the CGU's carrying value to determine the need for any impairment. We considered this a key audit matter, because: • the intangible asset is the largest non-current asset in the consolidated balance sheet • significant judgement is required by the Group in performing the impairment assessment, particularly in estimating: o forecasted future results of the business o terminal growth rates o revenue forecasts o discount rates applied to future cash flow forecasts in determining whether there are any impairment charges.	We performed the following procedures amongst others: • evaluated key factors used in the Group's approach to assess impairment including the methodology applied and the Group's identification of CGUs. • agreed forecast cash flows used in the impairment assessment to Board approved budgets • evaluated the Group's historical ability to forecast future cash flows by comparing budgeted amounts to reported actual results for the past year • tested whether the discount rate reflected the risks of the CGU by comparing the discount rate to other comparable companies • compared the growth rates used in the CGU's cash flow forecasts to independent industry forecasts and historical growth rates • tested the mathematical accuracy of the impairment assessment • evaluated the adequacy of the disclosures made in note 3.1, including those regarding the method of measurement, the estimation uncertainty and range of potential outcomes, in light of the requirements of Australian Accounting Standards.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2019, 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 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL REPORT

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

Independent Auditor's Report continued

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 28 to 44 of the directors' report for the year ended 31 December 2019.

In our opinion, the remuneration report of HT&E Limited for the year ended 31 December 2019 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

Louise King
Partner

Sydney
24 February 2020

Shareholder Information

1 SHARES

(A) SUBSTANTIAL SHAREHOLDERS

The following information is extracted from substantial shareholder notices received by the Company as at 14 February 2020:

Name	Number of shares
Allan Gray Australia Pty Ltd and its related bodies corporate	60,488,597
News Pty Limited and its related bodies corporate	41,823,884
Spheria Asset Management Pty Ltd	28,235,310
Commonwealth Bank of Australia and its related bodies corporate	20,402,039
Perpetual Limited and its related bodies corporate	20,241,659
Mitsubishi UFJ Financial Group, Inc.	19,009,003
Carol Australia Holdings Pty Limited and its related bodies corporate	15,741,965

(B) TOP 20 HOLDERS OF FULLY PAID ORDINARY SHARES

The following information is extracted from the share register as at 14 February 2020:

Name	Number of shares	% of total shares
HSBC Custody Nominees (Australia) Limited	81,994,851	29.3%
Citicorp Nominees Pty Limited	59,987,313	21.4%
J P Morgan Nominees Australia Pty Limited	52,764,978	18.8%
News Pty Limited	41,303,132	14.7%
National Nominees Limited	14,217,562	5.1%
BNP Paribas Nominees Pty Ltd	7,105,454	2.5%
BNP Paribas Noms Pty Ltd	4,786,303	1.7%
Citicorp Nominees Pty Limited	1,672,000	0.6%
Pacific Custodians Pty Limited - APN Emp Share Tst a/c	1,296,390	0.5%
Pacific Custodians Pty Limited - HT1 Plans Ctrl a/c	842,839	0.3%
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	496,793	0.2%
National Nominees Limited	267,481	0.1%
S M & R W Brown Pty Ltd	200,000	0.1%
Mr Vincent Crowley	185,305	0.1%
Montorio Superannuation Nominees Pty Ltd	174,203	0.1%
Warrill Nominees Pty Ltd	167,104	0.1%
W H List & Son Pty Ltd	133,334	0.1%
Mr Aaron Benjamin	131,763	0.1%
HSBC Custody Nominees (Australia) Limited-GSCO ECA	128,445	0.1%
Glowvane Pty Limited	116,789	0.0%
Total	**267,972,039**	**95.9%**

Shareholder Information continued

(C) ANALYSIS OF INDIVIDUAL ORDINARY SHAREHOLDINGS AS AT 14 FEBRUARY 2020:

Holding	Number of shareholders	% of total shareholders	Number of shares	% of total shares
1 to 1,000	4,067	72.97	1,041,324	0.38
1,001 to 5,000	1,010	18.12	2,327,191	0.83
5,001 to 10,000	238	4.27	1,715,097	0.61
10,001 to 100,000	237	4.25	6,955,157	2.48
100,001 and over	22	0.39	268,190,391	95.70
Total	5,574	100.00	280,229,160	100.00

There were 2,779 holders of less than a marketable parcel.

(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 14 February 2020 was:

Director	Number of shares	Number of options
H McLennan	73,000	–
R Amos	16,250	–
P Connolly	65,935	–
C Davis	524,053	–
B Rowe	–	–

4 OTHER INFORMATION

STOCK EXCHANGE LISTING

HT&E shares are listed on the ASX (code HT1).

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 Corporate Directory page in this Annual Report 2019.

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.

Shareholder Information continued

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.

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 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 2019 Annual Report and 2019 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.

Corporate Directory

HT&E LIMITED
ABN 95 008 637 643

Directors
Hamish McLennan (Chairman)
Ciaran Davis (CEO & Managing Director)
Roger Amos
Paul Connolly
Belinda Rowe

Company Secretary
Jeremy Child

Registered Office
3 Byfield St, Macquarie Park
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Telephone: +61 2 8899 9900

Share Registry
Link Market Services Limited

Level 12, 680 George Street
SYDNEY NSW 2000

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SYDNEY SOUTH NSW 1235

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Fax
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(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
Bank of Queensland
Commonwealth Bank of Australia
HSBC
National Australia Bank
Westpac Banking Corporation

Notice is given that the Annual General Meeting of HT&E Limited will be held at

KPMG
Level 38, Tower 3
300 Barangaroo Avenue
Sydney NSW 2000
on 7 May 2020
at 9:00am