HT&E LIMITED

ANNUAL REPORT 2020

REDEFINING AUDIO

HT&E owns one of Australia's leading audio companies, ARN, providing the most complete audio experience for our listeners and the most comprehensive audio solutions for our partners. The Group also maintains a number of other investments, including a 25% interest in the secure messaging business, Soprano and outdoor assets in Hong Kong.

Kyle & Jackie O
KIIS 1065 Sydney

5.3m
Radio audience reach (weekly)*

2.6m
Digital websites audience reach (monthly)**

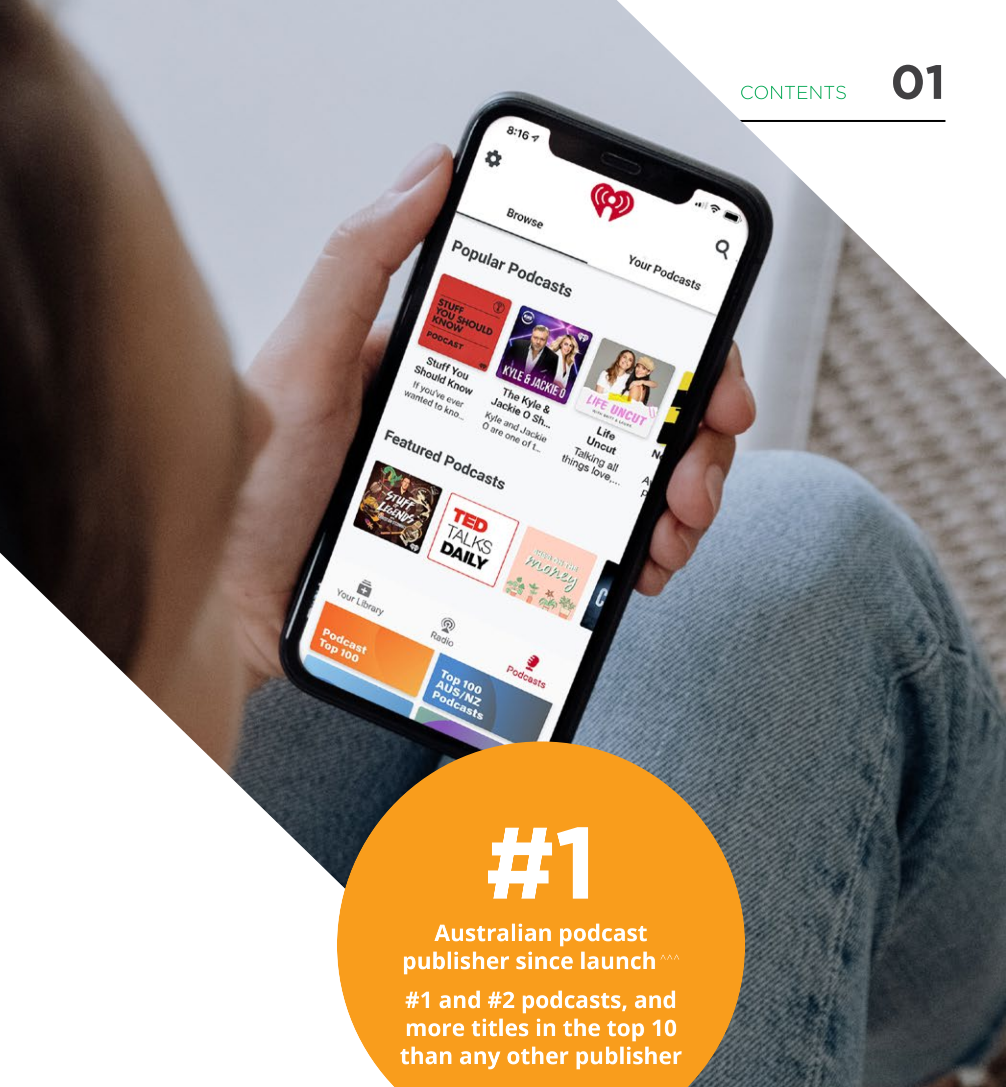
1.9m
iHeartRadio registered users (lifetime)***

81.3m
Streaming listening hours (+53% YoY)****

#1
national commercial radio network^

↑124%
podcast downloads^^

* Source: GfK Radio Ratings, S8 2020, SMBAP, ARN AM/FM/DAB, Mon-Sun 5:30-12mn (cume), Commercial Radio Groups AM/FM/DAB+, Mon-Sun 5:30-12mn, Mon-Fri 5:30-9am (share %), P10+, unless otherwise stated.
** Source: Google Analytics: Website Page Impressions, All Devices, Australia, station websites include KIIS Network, PG Network, Edge (not de-duped): Dec 2020).
*** Source: Adobe Analytics, iHeartRadio Australia Registration Data, Lifetime Users Dec 20.
**** Source: AdsWizz Audiometrix, Total Radio Streaming, Total Listening Hours 2020 v 2019.
^ Source: GfK Radio Ratings, S8 2020, SMBAP, M-S 5:30am-12mn, cume, ARN AM/FM/DAB+, P10+.
^^ Source: Megaphone Hosting Platform, 900k+ Australian Device Sample, December 2020 cf. January 2020.
^^^ Source: Australian Podcast Ranker.



#1

Australian podcast publisher since launch ^^^

#1 and #2 podcasts, and more titles in the top 10 than any other publisher

arn

We are everywhere our listeners are, providing the greatest breadth and depth of audio content in Australia.

ARN's stations broadcast across six metropolitan markets to over five million people each week. People engage via three core brands: The KIIS Network, The Pure Gold Network and The Edge. The Network also owns a 50% share of Perth's Nova 93.7FM and Brisbane's 97.3FM in a joint venture with Nova Entertainment and 50% of Canberra FM Radio (104.7FM and Mix106.3) in a joint venture with Southern Cross Austereo.

iHeart RADIO / iHeart PODCAST NETWORK AUSTRALIA

iHeartRadio enables Australians to get more of what they love about radio whenever and wherever they want. With an expanded podcast offering, integrated promotion across ARN's core radio assets and audience growth, it provides vast commercial partnership opportunities.

iHeartRadio is ARN's free radio, music streaming and podcasting platform in the Australian market. It is the only digital music platform that combines podcasts, custom music and live radio, covering 1500 live radio stations across all ARN, NZME and iHeartMedia's US stations. The platform also broadcasts live events, getting fans up close and personal with the artists they love and it has one of the largest podcast libraries in Australia.

cody OUT OF HOME

Pioneer of the highest quality innovation and premium connected on-the-go advertising solutions.

Cody Out-of-Home in Hong Kong, has a network of over 440 outdoor advertising panels including the major Hong Kong tunnels and iconic tram shelters on Hong Kong Island.

EMOTIVE

Creating ideas that change the way people feel about brands.

An independent creative company in which HT&E holds a 51% interest, Emotive makes ideas that live within advertising, entertainment and design. Part ad agency, part production company, part content distributor, Emotive is deliberately (un)structured so it can respond to client business issues or opportunities effectively, rather than default to 'traditional comms' as the answer.

soprano

Intelligent and secure business mobile messaging software solutions for enterprises and governments worldwide.

Soprano Design is an independent software vendor in which HT&E holds a 25% stake. Through the diversification of the customer base along with a growing need for CPaaS (Communications Platform as a Service) solutions, we recognise a significant market growth opportunity. Soprano has nearly 4000 customers globally across APAC, EMEA, LATAM and the US ranging from large corporations to independent companies across Government, Healthcare, Finance, Education, Retail, Manufacturing and Logistics.

In this report

DELIVERING OUR STRATEGY

Our vision is to enrich every Australian's life through the medium of audio.

We aim to be Australia's leading audio company by providing the most complete audio experience for our listeners and the most comprehensive audio solutions for our partners, using data-led insights to provide the platforms, content and interactions that deliver the entertainment and business results that our customers want.

Our single customer view brings together a full 360 degree audio experience which we call ARN's Audiosphere. Across the Audiosphere we are investing in capability and product to ensure we achieve our ambition.

Radio

#1 FM for Breakfast

ARN radio stations reaching **5.3 million** people each week*

Digital websites reaching **2.6 million** Australians monthly**

#1 FM for Breakfast*

#1 Total Females*

#1 Grocery Buyers*

Commercial market share outperforming market every quarter since Q2 2019***

Streaming

Strong Growth

Strong growth driven by at home listening through smartphones and smart speakers

1.9m

registered users (lifetime)

↑ 19% YoY^

↑14%

digital listening of ARN radio stations^^

↑225% YoY

revenue across 532 campaigns

Podcasts

#1 Podcast Publisher in Australia^^^

#1 & **#2** podcasts^^^

#1 catch up radio podcast^^^

↑124%

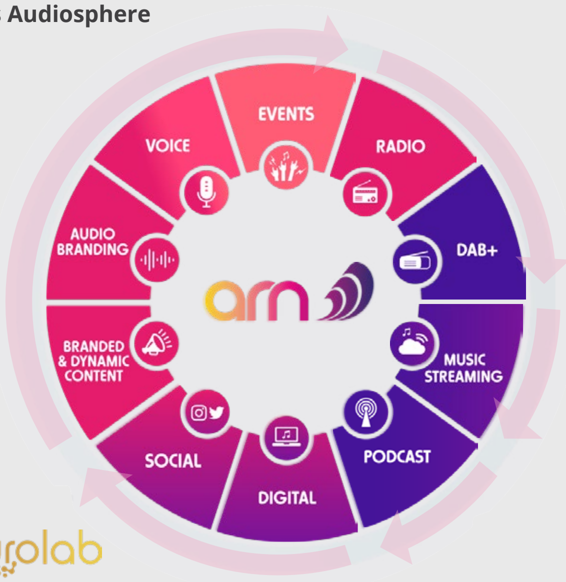
podcast downloads since the start of the year^^^^

$2.5m

revenue across 148 campaigns (2019: $50k)

* Source: GfK Radio Ratings, S8 2020, SMBAP, M-S 5:30am-12mn, cume, ARN AM/FM/DAB+, P10+.
** Source: Google Analytics: Website Page Impressions, All Devices, Australia, station websites include KIIS Network, PG Network, Edge (not de-duped): Dec 2020).
*** Source: Commercial Radio Metro Ad Revenue 2020 Deloitte.
^ Source: Adobe Analytics, iHeartRadio Australia Registration Data, Lifetime Users Dec 20 (vs Dec 19).
^^ Source: Adswizz, Audiometrix, ARN Stations only, Total Listening Hours, Dec 2020 v Jan 2020.
^^^ Source: CRA and Triton, Australian Podcast Ranker: December 2020 of the participating publishers.
^^^^ Source: Megaphone Hosting Platform, 900k+ Australian Device Sample, December 2020 cf. January 2020.

ARN's Audiosphere



Dynamic Audio

World First

ARN Dynamic Audio is a world first dynamic ad product for broadcast radio delivering the personalisation of digital audio at the scale of broadcast radio, with significant demand from commercial partners.

11 campaigns for brands like Coles, Toyota and McDonald's.

Digital Innovation

Products that deliver results

ARN Roam is a mobile geo-based advertising solution across digital audio and display inventory. It targets people based on their specific location, either past or present and has delivered impactful results for our clients.

AdWave and **PodWave** offer increased scale and targeting across digital audio by accessing the Adswizz Global Marketplace of Premium International Publishers. This improves efficacy for commercial partners.

Investment in Measurement

ARN Neuro Lab is an in-house neuroscience lab for evaluating and optimising advertising attention, engagement and impact.

Podsights is the industry leader in podcast advertising attribution, allowing advertisers to measure campaign performance.

Jonesy & Amanda
101.7 WSFM Sydney

CHAIRMAN'S REPORT

I am pleased to present this annual report of HT&E's performance in 2020 during what has been a challenging year, like no other in the Company's history.

HAMISH MCLENNAN
CHAIRMAN

No one could have anticipated the global pandemic. It has had a dramatic impact on our way of life, changed consumer behaviour, disrupted business models overnight, created significant advertiser uncertainty and resulted in widespread falls in global and local advertising revenues.

Against this backdrop, HT&E navigated the period well and has maintained its strategic focus during the year, strengthening our core Australian radio operations, investing in our digital audio growth strategy, and maximising shareholder value as we exited several non-core investments.

ARN remains the best performing audio company in Australia – both commercially and in ratings – delivering advertisers integrated, unique and engaging content from some of the world's best talent, across radio, music streaming and podcasting.

ARN's mission remains 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.

Financial position and capital management

HT&E's business is very well capitalised, with $112.1 million net cash and access to over $250.0 million in funding.

The Board took the decision to suspend the dividend at the half year to preserve capital because of the uncertain economic outlook at that point. The Board has since taken the decision not to declare a full year dividend, recognising the level of inherent economic uncertainty attributable to the ongoing COVID-19 pandemic.

Net cash

$112.1m

HT&E's business is very well capitalised.

Undrawn capacity

$252.1m

HT&E's Board will be looking for further opportunities to maximise shareholder value.

Average buyback price

$1.44

Accretive share buyback recommenced. Boosting underlying returns for investors.

We recommenced the accretive share buyback in September following the release of the half year results and the improving ad market conditions, boosting underlying returns for investors.

HT&E acquired a 4.7% strategic interest in local outdoor advertising company, oOh!media, a business we know well, for $18.1 million at the height of the pandemic in the first half. At year end the stake was valued at $45.9 million.

We are continuing to work with the business founder of Soprano, a growth business operating in the highly attractive CPaaS (Communications Platform as a Service) sector to maximise value for our 25% stake.

Australian Tax Office dispute

We are awaiting a response from the Australian Tax Office on our objections to the amended assessments received in 2018.

The Board remains confident of HT&E's position and are prepared to pursue the New Zealand Branch dispute matter fully, through to litigation.

The final resolution of this matter could take several years.

The year ahead

HT&E's business remains well placed to emerge from 2020 in a strong position to capitalise on the exciting growth opportunity in digital audio.

We have the benefit of a proven senior management team, world recognised broadcasters and a clear focus around creating the leading audio entertainment business in Australia.

We believe that there will be continued consolidation in media markets and with its deep media experience, HT&E's Board will be looking for further opportunities to maximise shareholder value. Our investment in oOh!media demonstrates our understanding of the sector and we will continue to focus on the right opportunities for our business.

On behalf of the Directors, I would like to thank shareholders for their continued support over the past 12 months.

I would also like to thank our people for their dedication in 2020, particularly given the challenging conditions we faced. We have an exceptional team who have kept ARN at the forefront of what is a very competitive industry.

HAMISH MCLENNAN
CHAIRMAN

CEO'S REPORT

2020 financial result

2020 statutory revenue from continuing operations was down 22% to $197.3 million on last year, due to economic impacts of COVID-19. Costs from continuing operations before interest, tax, depreciation and amortisation, and exceptional items were down 16% to $156.0 million as a result of cost control measures and lower variable cost of sales on reduced revenues. EBITDA from continuing operations before exceptional items was down 35% to $49.3 million.

HT&E COVID-19 response

The Company moved early to deal with the impacts of COVID-19, with the welfare of our people of paramount importance.

The impact on operations from a working from home policy was managed effectively.

From early March and throughout the year, ARN's technology investments ensured radio broadcasts were unaffected across all our metro markets, with all our people able to work from home efficiently. We maintained an 'always on' content approach, consistently delivering what audiences have come to expect from our brands.

HT&E implemented a range of cost control measures, including short term salary reductions for executive management and the Board, reduced work hours program for remaining people, and a freeze on marketing, travel, entertainment and discretionary costs.

During the height of the pandemic in Australia, $13.0 million in one-off cost measures were implemented in the second quarter that helped to protect our earnings and cash reserves while preserving the balance sheet.

With advertising spend significantly affected in both Australia and Hong Kong, revenue from continuing operations fell 29% in the first half, with EBITDA down 49%.

HT&E was able to access Federal Government funding for the first round of the JobKeeper stimulus program with a total benefit of $10.3 million excluded from the underlying financial results. This funding was critical in contributing liquidity to the business and protecting jobs in a period of significant volatility and uncertainty in advertising markets. With improved trading conditions, the Company was not eligible for ongoing financial support under the extended JobKeeper program.

An efficiency review conducted in the second half of 2019 set the business up well to manage through the pandemic. Cost management remains an ongoing focus for the business.

CIARAN DAVIS
CEO & MANAGING DIRECTOR

Our businesses

Australian Radio Network (ARN)

Despite disruption to daily routines, ARN experienced growth in total listening since the start of COVID-19 and commercial radio is now reaching over 5.3 million people weekly from breakfast to drive across the working week[1].

Across COVID-19, with people spending more time at home and seeking companionship through the day, ARN saw overall growth in listening across all dayparts. With the easing of restrictions across the nation, listening behaviour has largely reverted to normal[2]. Increasing use of smartphones and smart speakers continues to drive digital listening with digital streaming of ARN radio stations experiencing a 14% increase in total listening across the year[3].

Regardless of how their daily routine has changed, our audience's appetite for audio has not – they are consuming more radio to remain connected, are on digital to stay engaged, and are listening to podcasts to escape. As audiences engage for longer, it provides even greater opportunities for brands and due to the unique immediacy of radio, advertisers are able to adapt their campaigns in real-time, aligning messaging for consumers.

ARN maintained its #1 ratings position for the ninth consecutive survey, with the strategy of recruiting and retaining the best talent continuing to deliver. The power of our talent to connect brands and consumers and drive commercial outcomes for clients has shone through in 2020. The Sydney duopoly strategy with KIIS and WSFM continues to deliver and KIIS 1065's Kyle & Jackie O again dominated breakfast radio, finishing the year where they started, at #1FM, with WSFM's Jonesy & Amanda following them, averaging the year as Sydney's #2FM[4]. GOLD 104.3 in Melbourne is now established as the clear #1FM, along with The Christian O'Connell Breakfast Show. 40 years after the station launched, Perth's 96FM rose to #1 in survey 7 off the back of a great breakfast show and clear music strategy[5].

ARN is now the #1 podcast publisher in Australia after launching the iHeartRadio Podcast Network Australia in February 2020. The network delivered 124% more podcast downloads in December[6] and five of the top 10 podcasts in the country[7]. Our strategy of representing a broad spectrum of local and international publishers as the podcast market matures has allowed us to build internal capability while managing investment risk and returns.

ARN iHeartRadio's long term licence and partnership with iHeartMedia, Inc. are key differentiators in the local market, providing access for listeners to stream live broadcast radio stations, the best of international and local podcasts, and allows the creation of custom Artist Radio stations, everywhere and on any device.

We continue to invest in our digital audio growth strategy expanding our data capabilities, our digital customer acquisition programme, and our content creation to attract new audiences. Digital revenue growth, excluding iNC and Conversant Media, was up 122% on last year and we expect to see continued strong growth in 2021.

Hong Kong Outdoor (Cody)

Our outdoor business Cody has had a challenging 18 months, with social unrest impacting advertiser confidence in the second half of 2019 and while protests in Hong Kong largely abated at the start of 2020, advertising markets did not have an opportunity to recover before the onset of COVID-19. In-line with other markets around the globe, advertiser demand for outdoor advertising was significantly impacted by reduced footfall and commuter volumes caused by government enacted lockdowns to contain the virus.

Investments

Soprano

Soprano, an independent software vendor in which HT&E has held a 25% stake since 2001, had record revenue, gross margin and earnings growth. The company, with established operations in Europe, North & South America, Asia and Australia, provides CPaaS (Communications Platform as a Service) to enterprise customers.

Strong revenue and gross profit trajectory built over the past two to three years were maintained across COVID-19, with improvement in key customer metrics, including net revenue retention, message volumes, and failure rates.

Soprano has the potential to provide significant value beyond current book value and is non-core to the Company's strategy. We will continue to work with the founder to explore options to maximise value for HT&E shareholders.

Emotive

Emotive, an independent creative company in which HT&E holds a 51% stake, grew revenues with an expanded service offering and new client base. In a challenging local advertising market, Emotive maintained good momentum winning a number of new strategic clients, including HelloFresh, Modibodi, Destination NSW, St Hugo Wine, Google and the University of Sydney, complementing long standing partnerships with companies such as Optus.

Thanks to our people

2020 was an incredibly challenging year as the lockdowns imposed by Governments across Australia tested our ability to operate, as well as impacting on our revenue. We asked a lot of our people who had to sacrifice pay and work longer hours for less, while many juggled additional personal and family responsibilities. Their innovation over this time is to be commended. Unfortunately, we did have to let some of our valued people go and we wish them well in the future.

We are very proud of how our team responded to the challenges presented and that we continue to operate through COVID-19 with great efficiency. Our programming has not missed a beat as we provide our audiences with much needed relief from the health and economic crisis and our commercial teams have grown share by delivering first class solutions for our clients.

The management team is extremely grateful for the dedication and enthusiasm of everyone who responded so positively to the challenges the pandemic delivered in 2020.

2021 focus

What was achieved in 2020, given the impact of COVID-19, is a testament to HT&E's leadership in the Australian audio market. In a year that has rewritten history, Australian audiences have made ARN and iHeartRadio podcast brands the number one choice for audio content, delivering consistency and certainty for our commercial clients.

I am confident that the momentum that we have built will continue in 2021. Our focus is on maintaining our #1 ratings position nationally and our dominance of audio entertainment in Australia. We believe that our proven strategy of retaining the best talent, and leveraging data, targeting and technology to grow share of the radio and audio advertising market will deliver increasing value for shareholders.

We anticipate further consolidation in the media industry in 2021 and our strong balance sheet means we have the ability to explore the right strategic opportunities for the business as they arise.

I would like to thank all our people for their significant contribution to the performance of the business in 2020.

CIARAN DAVIS
CEO & MANAGING DIRECTOR

1 Source: GfK Radio Ratings, S8 2020, SMBAP, M-S 5:30am-12mn, cume, ARN AM/FM/DAB+, P10+.
2 Source: GfK / CRA Pulse Study (May-June 2020), GfK Radio Ratings: S1 2020, S8 2020, SMBAP, M-S 5:30am-12mn, ARN, cume, P10+.
3 Source: Adswizz: ARN Stations, TLH, Dec 2020 v Jan 2020.
4 Source: GfK Radio Ratings: S1, S2, S6, S7, S8 2020 (averaged), S1, S8 2020, Sydney, M-F 5:30am-9am, Comm Radio Stns (FM), Sydney, share to all, P10+.
5 Source: GfK Radio Ratings: S7 2020 (Perth), S8 2020 (Melbourne), M-S 5:30-12mn, M-F 5:30am-9am, Comm Radio Stns (FM), share to all, P10+.
6 Source: Megaphone Hosting Platform, 900k+ Australian Device Sample, December 2020 cf. January 2020.
7 Source: CRA and Triton, Australian Podcast Ranker: December 2020 of the participating publishers.

RESPONSE TO COVID-19

Despite cancellations and a fall in advertising during the initial COVID-19 lock downs, ARN continued to win commercial share with increased audio consumption during this time, reinforcing importance of trusted talent to both listeners and advertisers.

Strong fundamentals and well positioned for COVID-19 recovery

Audiences more engaged with radio and audio:

- Radio consumption increased during COVID-19 across multiple platforms
- Radio is enhancing the rise of digital audio formats
- Importance of trusted talent to both listeners and advertisers reinforced
- Record iHeartRadio growth; #1 podcast publisher in the country with revenues building

Financial performance improving after tough Q2

- Q3 trading conditions improved relative to the previous quarter, with the radio market down 28.1%, whereby the radio market was down 46.6% in Q2 led by an initial three week period of cancellations during lockdown
- Q4 trading was encouraging with total revenues only slightly down on the prior year with the improvement on the prior quarter assisted by the ease in COVID-19 restrictions in Melbourne, with the radio market down 10.4%
- ARN winning commercial share, performing ahead of the market
- Cost control measures taken early, with $13.0 million in one off savings in 2020 (excluding JobKeeper $10.3 million)
- Strong balance sheet – Group net cash $112.1 million

Unlocking value for shareholders:

- Investing in ARN's digital audio capabilities
- Strategic investment in oOh!media providing optionality
- Soprano trading significantly improved with positive trajectory in key metrics

ARN commercial radio weekly cumulative reach

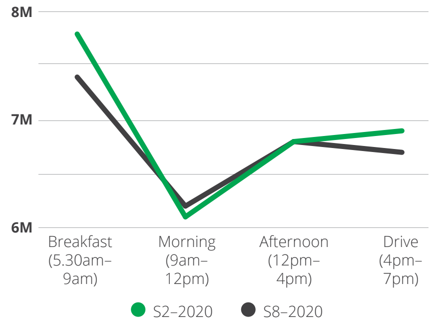
5.3m*

The high level of client cancellations experienced in the weeks immediately following the national pandemic lockdown largely abated after the first few weeks, with radio consumption growing and playing an important community role as our listeners craved engagement and a sense of normality in the isolating environment. Radio audiences were more engaged than pre-COVID-19.

Our commercial teams were very active in the market implementing a "Combatting Corona" trade activity plan promoting the power of audio to advertising agencies and clients, reminding them of ARN's great strengths – immediacy, trust, and cost effectiveness with increasing digital targeting capability.

Total Radio Market Listening Audience Reach

Pre-COVID-19 vs Current: Time of Day**



* Source: GfK Radio Ratings, S8 2020, SMBAP, M-S 5:30am-12mn, cume, ARN AM/FM/DAB+, P10+.

** Source: GfK Radio Ratings, S2 2020, S8 2020, SMBAP, Mon-Sun 5:30am – 12mn (cume), Commercial Radio Groups AM/FM/DAB+.

Since COVID-19 began impacting our business in March, we have responded quickly to ensure our stakeholders are supported and the resilience of the business is maintained.

Our response

The Company moved early to deal with the impacts of COVID-19.

After an initial three week period of cancellations, confidence in radio returned as it became clear that audiences were not switching off. The second wave in Victoria saw minimal cancellations.

→ **Read more on page 06 and 10 (Chief Executive Officer's Report and Operating Financial Review)**

Our people

Made the health and happiness of our people a priority.

→ **Read more on page 16 (Corporate Social Responsibility)**

Our audiences and communities

Deepened engagement with our audiences like never-before and elevated community spirit:

- Adapted on-air content; produced a brighter, more upbeat sound
- Adapted online content; delivered regular COVID-related news updates on social media
- 2,500 care packages sent to doctors and nurses and 20 Melbourne hospitals from GOLD104.3's Christian O'Connell and Coles
- 97.3FM's state-wide Nutbush Dance Challenge getting Brisbane schools to join in on a feel-good activity
- Will & Woody and Ruffie Rustic Foods #helpinrufftimes campaign, bringing performances live from Woody's front porch

→ **Read more on page 16 (Corporate Social Responsibility)**

Jase & PJ
KIIS 1011 Melbourne

Our clients

Informed and innovated to meet clients' changing needs:

- Initiatives informing the market, including "Combatting Corona" audio intel packs, studies tapping into ARN's Backstage Insights panel, and weekly on-air COVID-19 content updates
- Monthly digital audio updates capturing audience movements
- Flexible cancellation and trading terms, contributing to high client retention levels and positive revenue and share performance in H2

Our partners

- iHeartPodcast Network Australia launched, providing a comprehensive commercial offering for advertisers, with podcasting listening up 124% since the pandemic was declared
- Growing numbers of Australians used podcasts to connect with COVID-19 content like Australian comedian Nazeem Hussain's Survivor's Guide to Coronavirus
- Understanding the power of audio to connect and entertain, ARN proudly partnered with Muru Music Health, an AI music tech platform that helps ward off the effects of brain ageing through the power of music, and Universal Music Australia to give the gift of music to 5,000 aged care and retirement village residents across the country
- Partnership with Podsights was expanded, allowing for best-in-class reporting and attribution capabilities to be able to prove the effectiveness of podcast advertising

Our financial position

Net cash (31 Dec 2020)

$112.1m

→ **Read more on page 10 (Operating Financial Review)**

OPERATING AND FINANCIAL REVIEW

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

Overview

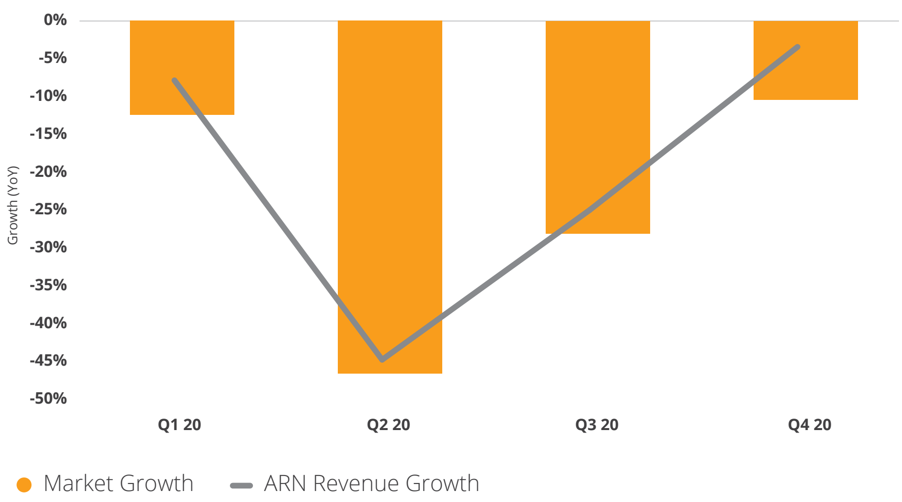
Group revenue from continuing operations decreased $55.4 million on last year, with advertising spend in both Australia and Hong Kong significantly affected by the economic impacts of COVID-19. The disposals of non-core businesses, The Roar and digital marketing business, iNC Digital Media, contributed to $8.9 million of the revenue decline.

In response to COVID-19, a range of temporary cost control measures were implemented from March 2020 to protect earnings and cash reserves.

Resulting group earnings before exceptionals, interest, tax, depreciation and amortisation (EBITDA) from continuing operations decreased by $26.3 million to $49.3 million. Ignoring the effect of AASB 16 *Leases* (adopted 1 January 2019), EBITDA would have been down 45% to $32.7 million.

The statutory loss attributable to HT&E shareholders of $42.5 million represented a $28.3 million decrease from last year, impacted by exceptional items in the period of $57.9 million (net of tax), including non-cash impairments in ARN and Cody Outdoor of $64.3 million ($65.7 million before tax), redundancy costs of $1.0 million ($1.5 million before tax) part offset by government wage subsidies (including JobKeeper and the Hong Kong Government Employment Support Scheme) of $7.3 million ($10.2 million before tax) and a $4.8 million benefit from write-back of provisions related to a disposed joint venture.

ARN performing ahead of the market across the year



IMPACT OF COVID-19

The Group's Business Continuity Plans were enacted following the government enforced lockdowns in March 2020, as well as the second wave of infections in Melbourne in August 2020, allowing Australian Radio Network (ARN) to broadcast unaffected and our people to work remotely without any business interruption. The safety of all our people is paramount, and the Company continues to monitor government advice closely. Refer to page 8 for further details on the Group's response to COVID-19.

From a financial perspective, COVID-19 has resulted in widespread falls in global marketing and advertising activity, with all advertising sectors materially impacted.

The Australian radio sector recorded a total market decline of over 25.2% in 2020 compared to 2019 (H1: –30.9%, H2: 19.1%)[1], with ARN revenues in the first and second half declining 27.8% and 14.8% respectively. ARN experienced significant levels of client cancellations and deferrals following the government enforced lockdowns in March, with advertisers moving quickly to preserve capital in direct response to uncertainty created by the worsening pandemic.

In Q3 2020, trading conditions improved relative to the previous quarter, with total ARN revenues down 22.5% on the prior year comparative period. This result was significantly ahead of the broader metro radio market, which was down over 28.1% for the quarter. Q4 2020 saw further improvement in general market conditions, with total advertising revenues only slightly down on the prior year, assisted by the easing of COVID-19 restrictions in Melbourne.

In Hong Kong, the impacts of COVID-19 were felt earlier, with advertising revenues at Hong Kong Outdoor (Cody) affected from the start of the period.

1 Source: Commercial Radio Metro Ad Revenue 2020 Deloitte.

Temporary cost control measures taken in response to COVID-19 amounted to savings over the 2020 financial year of $13.0 million, across a range of expenditure lines, including:

- Marketing, travel, entertainment, new employee hires and other short-term cost control measures;
- Employee costs where staff agreed to work on reduced hours for five months, utilise excess annual leave and in some instances, staff have left the business; and
- The Board & Executive KMP took a 20% pay cut for five months and agreed to forego all incentive payments for 2020.

The Company received the JobKeeper government subsidy, which provided cost relief of $10.3 million in addition to those measures previously outlined.

The Company was not eligible for ongoing financial support under the extended JobKeeper program from 28 September 2020 to 28 March 2021.

During the year, an impairment of $55.9 million was recorded in relation to ARN and $9.8 million in relation to Cody. This was reflective of the financial under performance of each business relative to the original forecast during the six months to 30 June 2020, and a downward revision to forecast cashflows in the short to medium term in response to uncertainty in advertising markets created by COVID-19 (refer to note 2.1, note 2.3 and note 5.4 to the consolidated financial statements for more information). Further, an increase in credit risk saw an increase in the expected credit losses in relation to trade receivables (refer to note 3.3 to the consolidated financial statements for more information), which improved in the second half.

The Group balance sheet remains very strong with net cash of $112.1 million and access to $252.1 million of undrawn debt facilities at 31 December 2020.

Group financial performance continues to improve after tough Q2. The business remains highly profitable and cash generative.

$112.1m
Net cash

$21.0m
Net cash flows before financing

Summary of financial performance

AUD million[1]	2020	2019	Change
Revenue	197.3	252.7	(22%)
Other income	2.1	6.7	(69%)
Share of profits of associates	6.0	2.5	>100%
Costs	(156.0)	(186.2)	(16%)
EBITDA[2]	**49.3**	**75.6**	**(35%)**
Depreciation	(15.8)	(18.2)	(13%)
Amortisation	(1.0)	(0.6)	83%
EBIT[3]	**32.5**	**56.9**	**(43%)**
Net interest expense	(3.8)	(2.3)	67%
Profit before tax	**28.7**	**54.6**	**(47%)**
Tax expense	(10.3)	(16.1)	(36%)
Profit after tax	**18.5**	**38.5**	**(52%)**
Less: non-controlling interests	(3.1)	(4.3)	(29%)
NPAT attributable to HT&E shareholders	**15.4**	**34.2**	**(55%)**
Exceptional items net of tax[4]	(57.9)	(48.4)	20%
NPAT attributable to HT&E shareholders	**(42.5)**	**(14.2)**	**(>100%)**
EBITDA margin	25.0%	29.9%	
Underlying basic EPS (cents)	5.5	12.0	
Full year dividend per share (cents)	–	8.6	

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 54 and in note 1.3 to the consolidated financial statements.

Impact of AASB 16 *Leases* on financial performance

In 2019 HT&E adopted AASB 16 *Leases* using the modified retrospective approach. Operating leases were capitalised onto HT&E's balance sheet and recognised as right-of-use assets and lease liabilities. Rental payments were effectively recharacterised as depreciation and financing costs.

Key financial impacts of the standard in 2020 include removal of rental costs of $16.6 million (2019: $15.7 million), mostly replaced with depreciation $12.6 million (2019: $14.0 million) and financing costs of $2.3 million (2019: $2.3 million). However, impact on net profit before tax (NPBT) is limited at $1.7 million (2019: $0.7 million), though future lease changes may bear a more significant impact.

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

Underlying drivers of performance

Group revenues were down $55.4 million, with advertising revenues across ARN and Cody adversely impacted by COVID-19.

Despite the significant impact of COVID-19 on the financial performance of the Group, ARN is well positioned as the #1 metropolitan radio network in Australia[1], with ratings successes continuing to deliver commercial share gains and audiences spending significantly more time listening to streaming radio throughout the COVID-19 lockdown period.

The disposal of The Roar and iNC Digital Media contributed to $8.9 million of the revenue decline, however had minimal impact on Group earnings.

Group costs from continuing operations before interest, tax, depreciation and amortisation, and exceptional items were down 16% to $156.0 million, impacted by the previously outlined cost control measures, lower variable cost of sales on reduced revenues, the disposals of The Roar and iNC Digital Media and the simplification of management and operational structures between HT&E and ARN, which occurred in the second half of 2019.

Segment earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations and before exceptional items were down 35% from the corresponding period.

Depreciation and amortisation decreased from $18.8 million to $16.8 million. This resulted in EBIT from continuing operations and before exceptional items of $32.5 million compared with $56.9 million, a decrease of 43%.

Resulting net profit after tax attributable to shareholders (NPAT) from continuing operations before exceptional items for the period was $15.4 million.

Pre-tax exceptional items comprise of non-recurring gains and losses arising during the period, including previously outlined non-cash impairments of $65.7 million, restructuring costs of $1.5 million, benefit of government wage subsidies of $10.7 million, and benefit of $4.8 million from write-back of provisions. Further details are included in note 1.3 to the consolidated financial statements.

Financial position

The Group had net assets at 31 December 2020 of $492.2 million, which was down $37.7 million on prior year driven by non-cash impairments of $65.7 million and impact of COVID-19 on the financial results of the business, partly offset by equity gains on listed investments, write-back of provisions and the benefit of government subsidies.

During the period, the Group acquired a 4.7% interest in local outdoor advertising company, oOh!media Limited for $18.1 million. The Group continues to support oOh!media as a constructive long-term shareholder.

A matter pertaining to a financing arrangement involving the Company's former New Zealand operations was settled with the ATO for an amount of $3.2 million. A provision of $3.0 million was previously made for this matter.

The ATO Branch tax dispute is ongoing. The deposit of $50.7 million provided to the ATO in 2018, remains a non-current asset on the balance sheet, while the dispute processes are being completed. Consistent with prior year, the Company has recorded a provision in the balance sheet for uncertain tax treatment in relation to the Branch dispute of $30.0 million, with the amount reflecting probability-weighted estimate of the possible outcomes. The estimate may not reflect the final outcome. The non-current asset is further reduced by $16.7 million for the value of tax deductions on interest. Refer to note 4.1 to the consolidated financial statements for more information.

1 Source: GfK Radio Ratings, S8 2020, SMBAP, ARN AM/FM/DAB, Mon-Sun 5:30-12mn (cume), Commercial Radio Groups AM/FM/DAB+, Mon-Sun 5:30-12mn, Mon-Fri 5:30-9am (share %), P10+, unless otherwise stated.

Impact of AASB 16 *Leases* on financial performance

AUD million[1]	2019 result without adoption of AASB 16	2020 result without adoption of AASB 16	2020 lease adjustment AASB 16[2]	2020 as reported
Australian Radio Network	70.3	43.0	3.3	46.2
Hong Kong Outdoor	0.0	(5.4)	13.0	7.7
Investments and Corporate	(10.4)	(4.9)	0.3	(4.6)
EBITDA[3]	**59.9**	**32.7**	16.6	**49.3**
Depreciation and amortisation	(4.8)	(4.2)	(12.6)	(16.8)
Net interest expense	0.1	(1.5)	(2.3)	(3.8)
NPBT	**55.2**	**27.0**	1.7	**28.7**

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.

Christian O'Connell
GOLD104.3 Melbourne

Cash flow generation

AUD million[1]	2020	2019	Change $
Operating cash flows and lease payments[2]	28.9	31.3	(2.4)
Tax matter settlement[3]	(3.2)	–	(3.2)
Government subsidies	10.7	–	10.7
Investing cash flows[4]	(15.4)	(9.6)	(5.8)
Net free cash flow	**21.0**	**21.7**	**(0.7)**
Borrowings	3.3	–	3.3
Short-term deposits	(50.0)	–	(50.0)
Dividends paid to shareholders	(12.8)	(22.8)	9.9
Other financing cash flows	(7.1)	(16.4)	9.2
Cash at the beginning of the year	111.0	128.4	(17.4)
Effect of foreign exchange of the year	(0.2)	0.0	(0.2)
Cash at end of year[5]	**65.1**	**111.0**	**(45.9)**
Short-term deposits	50.0	–	50.0
Bank loans	(2.9)	–	(2.9)
Net cash	**112.1**	**111.0**	**1.2**

1. Totals may not add due to rounding.
2. Operating cash flows, plus principal repayments on finance leases accounted for under AASB 16 *Leases* from 1 January 2019.
3. Refer to note 4 to the consolidated financial statements for further details on this tax matter.
4. Excluding amounts transferred to short-term deposits.
5. Excludes amounts held in short-term deposit with banking institutions.

Cash and capital management

The balance sheet remains strong with net cash of $112.1 million as at 31 December 2020.

The Group retains debt facilities with undrawn limits of $252.1 million, most of which expire in 2024 and are sufficient to cover any adverse outcome on the ongoing disputes with the ATO.

The on-market share buyback continued throughout the period, however at significantly reduced levels reflective of the Company's prudent approach to preserving capital in the current uncertain advertising market.

Operating cash flows and lease payments on a continuing basis were down $2.4 million on last year, with a reduction in tax instalments, tax refunds and government subsidies offset by decline in business performance in the period.

In the first half no interim dividend was declared, given the uncertainty in the operating environment and the need to maintain a strong balance sheet. Whilst trading conditions across the Group's Australian operations improved in the second half, the Company took the decision not to declare a full year dividend, recognising the level of inherent economic uncertainty attributable to the ongoing COVID-19 pandemic.

The Group's dividend policy, between 60% and 80% of net profit distributed in a normal year, reflects the profitable and highly cash generative nature of the Group. While suspended due to economic uncertainty from COVID-19, this will be revisited as trading conditions normalise.

REVIEW OF OPERATIONS

Australian Radio Network (ARN)

Growth in radio and audio listenership

Despite disruption to daily routines, ARN experienced growth in total listening across COVID-19, with ARN commercial radio now reaching 5.3 million people weekly from breakfast to drive.

During COVID-19, radio remained the ultimate companion medium demonstrated with listening increasing across all day parts, with breakfast and drive up 2% and 6% respectively, and mornings and afternoons experiencing significant growth, up 22% and 17% respectively, as people spent more time at home and sought companionship through the day. With the easing of restrictions across the nation, listening behaviour has now reverted to normal[1].

Increasing smartphone and smart speaker penetration continues to drive digital listening; and streaming of ARN radio stations experienced an increase of 14%[2] in total listening across the year.

New technologies offering exciting ways for radio content to be consumed, including smart speakers, saw a 60% uplift since the start of COVID-19.

ARN is uniquely placed to continue to build listenership given iHeartRadio is the only listening platform to deliver live radio, music streaming and podcasts all in the one place.

#1 ratings position maintained

ARN's strategy of recruiting and retaining the best talent continues to pay off, delivering ARN its ninth consecutive #1 ratings position. The power of our talent to connect brands and consumers and drive commercial outcomes for clients has shone through in 2020.

The Sydney duopoly strategy with KIIS and WSFM continues to deliver. KIIS 1065's Kyle and Jackie O, who are now in their 20th year of being on air together, continue to dominate Sydney breakfast radio, finishing the year where they started, at #1FM, with WSFM's Jonesy & Amanda following, averaging the year at #2FM[3].

GOLD104.3 in Melbourne is now established as the clear #1FM, along with The Christian O'Connell Breakfast Show. Perth's 96FM rose to #1 in survey 7 off the back of a great breakfast show and clear music strategy[4].

Adelaide's strength in ratings continued across the year, and a new breakfast show with sporting legend Erin Phillips joining Soda on Mix102.3 delivers momentum for 2021.

Key priorities for the business in 2021 are improving ratings performance across 97.3FM Brisbane and KIIS101.1 Melbourne and maintaining our enviable network ratings position.

#1 podcast publisher in Australia

ARN is now the #1 podcast publisher in the country after launching the iHeartRadio Podcast Network Australia in February 2020. Driven by our careful content strategy and a growing consumer appetite, in December we published five of the top 10 podcasts in the country with podcast downloads reaching new listening highs, increasing by 124%[5] since the beginning of the year.

Our strategy of representing a broad spectrum of local and international publishers as the podcast market matures has allowed us to build internal capability while managing investment risk and returns.

1 Source: GfK Radio Pulse, June 2020, Mon-Sun 5.30am-12mn, Commercial Radio Audience (cume 000s), People 10+, unless otherwise stated. All comparisons are made with GfK Radio Ratings, S2 2020.
2 Source: Adswizz, Audiometrix, ARN Stations only, Total Listening Hours, Dec 2020 v Jan 2020.
3 Source: GfK Radio Ratings: S1, S2, S6, S7, S8 2020 (averaged), S1, S8 2020, Sydney, M-F 5:30am-9am, Comm Radio Stns (FM), Sydney, share to all, P10+.
4 Source: GfK Radio Ratings: S7 2020 (Perth), S8 2020 (Melbourne), M-S 5:30-12mn, M-F 5:30am-9am, Comm Radio Stns (FM), share to all, P10+.
5 Source: Megaphone Hosting Platform, 900K Australian Devices, ARN/iHR Podcast Growth, ave weekly downloads, Jan 20-Dec 20.
6 Source: https://www.iheartmedia.com/digital.

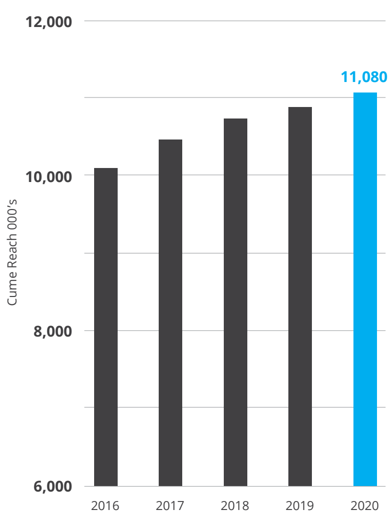
Radio remains the ultimate companion medium demonstrated with listening resilient across all day parts during COVID-19 and listener growth increasing year-on-year.

↑ 2%* in total Radio market listening YoY

↑ 14%** in ARN digital streaming YoY

Total Radio listener growth

Commercial Metro Radio Audience Cumulative Reach – All Day Parts**



* Source: GfK Radio Ratings, Average of Surveys 1-8, 2016-2019, Average of Surveys 1-2 &6-8 2020; Commercial Metro Radio (AM/FM/DAB+), SMBAP, M-S-12mn-12mn, cume reach '000s, P10+.

** Source: Adswizz, Audiometrix, ARN Stations only, Total Listening Hours, Dec 2020 v Jan 2020.

Most complete audio offering for clients

ARN is able to leverage its audio expertise, to offer the full sphere of audio solutions to advertisers, with what we call the "ARN Audiosphere", providing consistent and immediate opportunities for partnership and integration for brands across on-demand radio, music, digital, and podcasts.

We are developing innovative technology led products, such as Dynamic Audio. This product allows clients to deliver personalised audio messaging based on relevance and targeting characteristics across broadcast radio and digital formats. This is a world first innovation for broadcast radio and we are proud to have partnered with premium brands like Coles, Toyota and Mazda in the first few months of rollout. Further, we continue partnering with leaders in digital marketing technology, AdsWizz, to provide one-to-one targeted advertising that combines listener data with matched client content.

The growth of v-commerce (voice enabled transactions) fuelled by increased smart speaker penetration in Australian homes will present clear opportunities for new product developments into 2021.

iHeartRadio long term licence and partnership a key differentiator in the local market

Our digital platform for radio, music, and podcasts, provides access for listeners to stream live broadcast radio stations, allows them to listen to the best of international and local podcasts and create custom Artist Radio stations, everywhere and on any device.

HT&E has a unique long term licence with iHeartMedia, Inc. for the iHeartRadio platform which is the #1 streaming broadcast radio platform in the US, with six times the digital listening of the next largest commercial broadcast radio company[5].

iHeartRadio is globally available on over 250 platforms and over 2,000 different connected devices including smart speakers, digital auto dashes, tablets, wearables, smartphones, virtual assistants, televisions and gaming consoles.

Importantly, we are on the US technology roadmap, and benefit from the learnings and expertise of over 200 developers working for the #1 audio company in the United States.

^ Source: Triton, Australian Podcast Ranker: November 2020.

Digital investment and partnerships

Investments in our core technology stack, including onboarding Adobe Audience Manager, continued at pace during 2020. We are now fully integrated in the Adobe Platform which means we are able to offer clients premium targeting capability, combining their anonymised data and segments with our iHeartRadio first party data. This allows the advertiser to measure ROI by attributing advertising exposure data to actual sales data.

Hong Kong Outdoor (Cody)

Cody, our Hong Kong outdoor business had a challenging 18 months, with social unrest impacting advertiser confidence in the second half of 2019. While protests in Hong Kong largely abated at the start of 2020, advertising markets did not have an opportunity to recover before the onset of COVID-19. In-line with other markets around the globe, advertiser demand for outdoor advertising was significantly impacted by reduced pedestrian footfall and commuter volumes caused by government enacted lockdowns to contain the virus.

Cody continues to operate a good network of advertising contracts, including HK Tramways, Eastern and Western Harbour Tunnels, Tai Lam Tunnel and a number of smaller assets.

Investments

Soprano

Soprano, an independent software vendor in which HT&E has held a 25% stake since 2001, delivered record revenue, gross margin and earnings growth. The Company, with established operations in Europe, North & South America, Asia and Australia, provides CPaaS (Communications Platform as a Service) to enterprise customers through long term strategic partnerships with MNO's (mobile Network Operators) and direct to clients.

The Soprano software provides a self-managed, enterprise grade solution to orchestrate secure interactions over SMS, MMS, email, Voice, RCS (Rich Communication Services), WhatsApp and SecureIP.

15.2m
Australian podcast downloads monthly^

Soprano has recorded strong revenue and gross profit trajectory over the past two to three years which was maintained across COVID-19, with improvement in all key customer metrics, including net revenue retention, message volumes, and failure rates.

Innovation and product development are key priorities of Soprano, with integrations into third party ERP, HR and CRM systems.

The company's growth strategy is focused on increasing usage by existing customers, upsell of products and services, acquiring new customers and MNO partners, innovating on the Soprano product and growth through mergers and acquisitions.

Emotive

Emotive, an independent creative company in which HT&E holds a 51% stake, grew revenues with an enhanced service offering and growing client base.

Emotive offers the full breadth of creative services, including production, content distribution, strategy, creative and design.

In a challenging local advertising market, Emotive maintained good momentum through the business with the growth of a number of new strategic clients, including HelloFresh, Modibodi, Destination NSW, St Hugo Wine, Google and the University of Sydney, which complemented long standing partnerships with clients such as Optus.

Erin Phillips & Soda
Mix102.3 Adelaide

CORPORATE SOCIAL RESPONSIBILITY

Our people are our greatest asset

The success of the HT&E Group across 2020 is testament to the strength, resilience and hard work of all of our people. Our people are our most valuable asset, and the way they engage with our business and represent HT&E as part of the broader community is something of which we are most proud.

Over the years, we have worked hard to develop and provide a positive employment culture which was certainly tested by the challenges of 2020. Our focus on establishing an environment where people felt connected, were supported and given access to learning and development proved beneficial when operations became largely virtual. Our culture of support quickly translated into the virtual environment and ensured that both individually and collectively, our people were able to face evolving and complex challenges.

We emphasise a workplace where diversity and inclusion are not only accepted but truly embraced, and celebrate this in the content that we produce each day. We're committed to supporting our chosen charities and encourage our people to give back generously to their communities with a volunteer day off given each year.

An unprecented year, giving back to the community

HT&E and its group of companies are committed to giving back to the community that our people are a part of. Given the extraordinary year, it was more important than ever that we continued the community engagement work that we had established and that as individual situations changed, our people were able to either support or be supported as part of those efforts.

Community support has been driven through various means including:

- The supply of media inventory to charitable and community-based initiatives (Community Service Announcements)
- Financial and employee engagement support for dedicated charities
- Community engagement opportunities for employees
- The response of our stations and shows through the content they produce and broadcast
- Work experience programs

At Australian Radio Network (ARN), these works fall under our Corporate Social Responsibility (CSR) program, ARN Goodness.

CSA delivered to the value of $10.3 million

Community Service Announcements (CSAs) are media inventory schedules dedicated to raising awareness to support a broad spectrum of charitable and community initiatives. Organisations that benefit from this airtime use it to drive awareness and funding for their programs, and engage people in their efforts.

Across 2020, HT&E has been proud to support the Starlight Children's Foundation, Foodbank Victoria, Australia Zoo, Beyond Blue, Australian Red Cross, The Salvation Army, Surf Lifesaving Australia, Cure Cancer Australia, batyr, Heart Kids, Sydney Children's Hospitals Foundation and many more.

Radio and Digital CSAs worth $10.3 million was committed across 38,876 spots, 129 different organisations and 10 digital campaigns (3.9 million impressions).

CSAs delivered to the value

$10.3m

Dedicated financial and employee engagement

ARN is proud to partner with leading media charity, UnLtd. Through this program we continue to work with two charities that are aligned to our culture and vision – batyr and Musicians Making a Difference (MMAD).

Our efforts for these organisations are focused on fundraising and raising awareness of their work amongst our employees and the broader community.

batyr is a 'for purpose' preventative mental health organisation, created and driven by young people, for young people. In 2020 we promoted their virtual batyr Ball to all staff and welcomed them to speak as part of our October Health & Wellness month, where they ran a virtual session sharing their observations of the impact of COVID-19 on mental health and provided actionable ways to support friends and family.

MMAD is an Australian charity that exists to change young lives through music. In 2020, we provided support to MMAD at the annual UnLtd Golf Day, reaching hundreds of senior and influential media executives, with the tournament raising over $140,000 for the charity partners.

Give back, it's on us

All employees are encouraged to give back, by taking a 'charity day', devoting time and skills to a charity of their choice. While the conditions of 2020 made it more difficult for people to contribute in the ways they usually would, those who could, embraced the opportunity.

"I used my ARN Charity Day in December and volunteered (with my teenage daughter) at The Salvation Army Street Level Mission in Surry Hills. We spent the day packing Christmas gifts for children from less fortunate backgrounds. It was a great way for us to connect with the community and give back to those that are less fortunate than us. It was also a really great bonding session for my daughter and I, and it was awesome to see what a great eye opener it was for her. We are so lucky at ARN to be given this day – more people should use it."

Karen Harris, Sydney

558

staff completing 7,580 courses

Change Management Program completed by 62 leaders

New CRM implementation, training for

180

staff across 9 departments

36 senior leaders attended Australian Institute of Management courses to support and energise their teams through COVID-19

Thrive: empowering through our learning and development

As 2020 threw challenges our way, the involvement and engagement of our staff was paramount to stimulate productivity and maintain mental health.

ARN continued to offer a robust learning program, pivoting training to the virtual space.

A healthy workplace

We are committed to a workplace that embraces a healthy lifestyle and work life balance and for the first time in 2020, we dedicated an entire month to encouraging Health & Wellness across our business.

The month comprised a calendar of virtual events across October, including live speaker sessions, podcasts, TED Talks, exercise sessions and much more, designed to empower and motivate staff to take control of their own mental and physical health. ARN also launched a digital radio station on iHeartRadio, THE GET UP, with staff curating a playlist of hits that uplift and energise them.

A culture of belonging

Diversity and Inclusion are not just words but woven deeply into the fabric of our culture.

A compulsory Diversity and Inclusion learning module was created and rolled out across ARN in the fourth quarter of 2020, complimenting our existing Diversity and Inclusion framework.

Celebrating diversity

ARN continues to commit to Australia's leading LGBTQIA+ celebrations – Mardi Gras (Sydney) and Midsumma (Melbourne). We amplify these major cultural events, not only through our own media channels, but manifesting within our workplace, ensuring our staff are represented and provided the opportunity to participate in the celebration.

11
major Breakfast and Drive shows shifted to broadcast from remote locations within 3 days

500+
staff shifted to working from home within 3 days

↑230%
Microsoft Teams usage
Implemented and upskilled all employees with interactions tripling between February and April, and doubling over rest of year

Working anywhere, anytime

As the COVID-19 pandemic took hold in March 2020 and with the health and well-being of our people being our number one priority, we responded by shifting the majority of our teams to a working from home environment.

ARN's business continuity plans ensured that across the network, the technology and resources were in place to ensure that all staff, including on air talent and content teams, could work from home or at other appropriate locations should it be required. Bespoke broadcast kits with new equipment were made available for news teams and other announcers, and were distributed as needed. This ensured we were able to continue to inform and entertain our audiences as the pandemic continued to evolve.

The high level of service provided to our clients and partners was not compromised and, other than face-to-face meetings, there was very little difference in the way we continued to interact.

Due to the success of our working from home program, and because of the continued engagement and proven productivity of our people, we have a renewed flexibility arrangement in place. Employees, in consultation with their managers, can continue to work from home one to two days each week, enabling everyone to secure a balanced lifestyle between the office and home, reduce travel times and remain vigilant about bio-security as the threat of COVID-19 remains in the community.

Our commitment extends far beyond our workplace, we bring our audiences along for the journey

With 2020 delivering unprecedented, and unforgiving challenges, our shows and talent continued to reach out and support the communities in which they broadcast each day.

GOLD104.3 Christian O'Connell's Heroes Gold Bushfire Relief Fundraiser

In light of the tragic bushfires that swept across the nation early in 2020, Christian O'Connell and his team had a vision to help in any way they could. This culminated in the creation of a specially brewed beer – Heroes Gold – made in partnership with Hawkers, and whose sole purpose was to raise funds for the Victorian Bushfire Appeal. The campaign was an undeniable success, tapping into the hearts of listeners, and leveraging the strength of radio to mobilise the community.

- 650 cases of Heroes Gold sold in its first three days; over 1,300 slabs sold through pre-order
- 64 x 50 litre kegs of Heroes Gold delivered
- Over 5,000 pints of Heroes Gold poured in 29 pubs
- Heroes Gold stocked in 73 Dan Murphy's and 100 BWS stores
- Pro-bono promotional support across numerous brands, including Dayco in the Adelaide 500

97.3FM Robin, Terry & Bob's Nutbush Dance Party

When Graceville State School wrote in to Robin, Terry & Bob, asking if they could play Tina Turner's "Nutbush City Limits" on air so their home-schooling students and parents could virtually unite together in a dance break during the pandemic lockdown, our breakfast show hosts went several steps further – inviting Queensland's Education Minister Grace Grace MP, Channel 9 News, and broader Brisbane schools and listeners to take part, ultimately creating a movement of positivity and fun across the state.

- Videos of students participating in The Nutbush submitted from 35 schools
- Listeners across Brisbane Nutbushing at home, at work, at school and on the run
- Multiple calls from schools and parents all over the city to share their excitement with the station after the event
- Over 13,000 views of the highlights video on 97.3FM's Facebook page

KIIS 1065 Kyle & Jackie O's Toy Drive

Kyle & Jackie O's Toy Drive returned in 2020 to make sure the children at Sydney Children's Hospital Randwick had a magical Christmas.

With another incredibly generous $80,000 worth of toys donated from Toymate and with the help of Kyle & Jackie O, we were able to surprise hundreds of deserving children and their families with new toys for Christmas.

The campaign kicked off with the live on-air donation, followed by the annual heart-warming video content piece capturing the excitement on the children's faces.

WSFM's Pure Gold Live 2020

WSFM's Pure Gold Live concerts took place in February at the Sydney Coliseum Theatre.

While we have hosted many Pure Gold Live events over the years, Jonesy & Amanda partnered with the venue and promoter to help support two charities in their time of need, around the 2020 Summer Bushfires, with the price of every ticket sold going to WIRES Australia and BlazeAid.

$100,000 was donated at the conclusion of the event, with each charity receiving $50,000.

Mix102.3 Flinders Foundation Wellness Centre opening

Before passing away from breast cancer in 2016, one of Kerry Briggs' three final wishes was to create a cancer wellness centre where patients and their families could be supported through the trauma and upheaval of diagnosis. In a huge fundraising effort in 2019, Adelaide breakfast host Mark Soderstrom embarked on a multi-day marathon to break a Guinness World Record for *The Longest Marathon on a fairground/theme park attraction* – and through the huge acts of generosity from the people of Adelaide, helped to make Kerry's final wish a reality, with the Flinders Foundation Wellness Centre finally opening in February 2020.

GOLD104.3 Christian O'Connell's Hospital Care Package

When Melbourne nurse Ebony sought help from The Christian O'Connell Show to get a small supply of Powerade for her dehydrated colleagues during the peak of the pandemic, listeners and Melbourne businesses quickly rallied together to support our frontline health workers, demonstrating the power of radio to unite and foster community spirit.

- 2,500 care packs, courtesy of Coles, sent to 22 hospitals
- $5,000 donated from AIA
- 10,000 bottles of Powerade and Mt Franklin water donated from Coca Cola Australia
- A coffee machine and fridge, donated from E&S to two hospitals in need
- Thousands more donations from listeners across the Victorian state

2,500

care packs, courtesy of Coles, sent to 22 hospitals

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 unparalleled 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), Rugby Australia Limited (Chairman), Magellan Financial Group Limited, Claim Central Pty Limited, Scientific Games Corporation (US company) 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

Director of Soprano Design Limited

NSW Chair Advisory Board SecondBite

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 over 30 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 and Pacific based telecommunications Company – he continues to serve as a Senior Advisor to Digicel. 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

Chairman of private Irish companies Connolly Capital Ltd., Tetrarch Capital Ltd., FrameSpace Ltd., Business & Finance Ltd. (Irish business media group), Polaris Principal Navigator Ltd., UNICEF Ireland and a Director of Communicorp Group Ltd. (Irish Commercial radio group) as well as Chairman of Neon Century Ltd., (private UK company)

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 and a non-executive Director of 3P Learning Limited. He was formerly a non-executive Director at REA Group Ltd, where he was 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), 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) and REA Group Ltd (from 4 July 2006 to 17 December 2020).

SENIOR MANAGEMENT TEAM

Ciaran Davis

CEO & Managing Director
(since 24 Aug 2016)

Refer to biography on page 20

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

Will & Woody
KIIS Network Drive

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 2020. 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 20 and 21.

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 Australian Radio Network (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 and podcasting 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 secure 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 2019	**4.6**	12.8	23 Mar 2020
No interim dividend for the year ended 31 December 2020	**-**	-	-

The Directors have determined that no final dividend will be payable in respect of the year ended 31 December 2020.

5. CONSOLIDATED RESULT AND REVIEW OF OPERATIONS

The Group has been affected by the economic impacts of COVID-19 in both Australia and Hong Kong.

Refer to the Chairman's Report, Chief Executive Officer's Report, Response to COVID-19 and Operating & Financial Review for information on the underlying drivers of the results, financial position of the Group, its business strategies and prospects, as well as the business impacts of COVID-19. These are set out on pages 4 to 15.

The Directors have determined that it remains appropriate to prepare the financial statements on a going concern basis taking into consideration the financial position of the Group for the year ended 31 December 2020, future payment obligations and available banking facilities.

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

7. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Events occurring after balance date are outlined in note 6.5 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 Chief Executive Officer"s reports on pages 4 to 7 and the Operating & Financial Review on pages 10 to 15.

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, music streaming, podcasting and events, 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 remains focused on improving commercial revenue share through its "Defining Audio" commercial proposition, which was further strengthened in 2020 with the launch of ARN Dynamic Audio. The Group continues to invest in digital innovation, podcasting, streaming and data capabilities. Further, investment in capabilities include retaining experienced media executives, hiring proven on-air talent, participation in industry bodies, advertising and market research.
Timing of recovery from COVID-19 pandemic and other macroeconomic factors	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. During the year, advertising spend in both Australia and Hong Kong were significantly affected by the widespread economic impacts of COVID-19. In response to COVID-19, the Group implemented cost control measures, including accessing Government subsidies where eligible. The Group maintains a strong capital structure with sufficient undrawn facilities in place and will continue to monitor 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 4 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.
Disruption of technology systems, security breaches and data privacy	There are a number of 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. During the year we completed training on cyber security awareness for all staff and performed penetration testing on our key business systems and remediated any potential issues identified by the testing.

DIRECTORS' REPORT (CONTINUED)

10. CORPORATE SOCIAL RESPONSIBILITY

The Directors recognise the corporate social responsibilities of the Group, including the importance of environmental matters, occupational health and safety issues and diversity initiatives. 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 30 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, Nomination and Governance Committee	
	Held	Attended	Held	Attended	Held	Attended
Hamish McLennan	16	16	6	6	3	3
Roger Amos	16	16	6	6	3	3
Paul Connolly	16	16	6	6	3	3
Ciaran Davis	16	16	N/A	N/A	N/A	N/A
Belinda Rowe	16	16	6	6	3	3

Committees were formed for purposes including reviewing and approving the half-year and annual financial statements, 2019 Annual Report and 2020 Notice of Annual General Meeting. These meetings were attended as follows (Held/Attended): Hamish McLennan (3/3), Roger Amos (1/1) and Ciaran Davis (3/3).

DIRECTORS' REPORT (CONTINUED)

13. DIRECTORS' INTERESTS

The Remuneration Report on pages 30 to 44 contains details of shareholdings of the Directors and Executive Key Management Personnel for the year ended 31 December 2020.

14. SHARES UNDER OPTION

There were no unissued shares of HT&E Limited under option at 31 December 2020 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 $399,000 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 6.2 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 2021

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 2020.

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's and CEO & Managing Director's reports outline the performance of the Group in 2020. HT&E's statutory results finished below target, with advertising revenues across the Group materially affected by the economic impacts from the COVID-19 global pandemic. Against this challenging backdrop, the Group maintained its focus on strengthening core radio operations, delivering several key priorities for the year, including; maintaining ARN's #1 ratings position, the successful launch of iHeart Podcast Network Australia, growing commercial radio revenue share to the highest levels in recent years, and a continued focus on cost management.

HT&E was able to access Federal Government funding for the first 6-month round of the JobKeeper stimulus program, with a total benefit of $10.3 million excluded from the underlying financial results. This funding was critical in contributing liquidity to the business and protecting jobs in a period of significant volatility and uncertainty in advertising markets.

With improved trading conditions, the Company was not eligible for ongoing financial support under the extended JobKeeper program.

A key part of HT&E's cost management response to COVID-19 included Executive KMP and Non-executive Directors taking a 20% pay reduction for the period from May to September and foregoing all incentive payments in respect of 2020.

The remuneration outcomes set out below reflect this.

REMUNERATION APPROACH AND CHANGES FOR 2020

Limited changes were made to Executive KMP total fixed remuneration (TFR) and Non-executive Director remuneration in 2020. The only change made was in respect of the Chief Financial Officer who was awarded a fixed remuneration increase of 24% at the commencement of the year, reflective of an increase in responsibility.

The structure and financial metrics of the Group's Total Incentive Plan (TIP) in 2020 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.

HT&E's response to COVID-19 included Executive KMP and Non-executive Directors taking a 20% pay reduction for May to September and foregoing all incentives. During this time Executive KMP could use accrued annual leave to offset this reduction, maintaining TFR while generating immediate cost savings for the Group.

PERFORMANCE AND REMUNERATION OUTCOMES FOR 2020

As previously outlined, HT&E's financial performance in 2020 was significantly impacted by the COVID-19 global pandemic, and consequently Group performance fell short of threshold on all financial performance conditions;

- Reported EBITDA before exceptional items and discontinued operations, of $49.3 million was down 35 per cent on 2019 and down 38 per cent behind target;
- EPS on a post-tax basis, before exceptional items, of 5.5 cents was 58% per cent behind target; and
- ROIC, calculated based on earnings before interest and tax (EBIT) and before exceptional items, of 8.0 percent, compared to target of 15.2 per cent.

Executive KMP met some or all of their personal key performance indicator (KPI's) targets, however as a part of the Group's cost management response to COVID-19, all Executive KMP incentives in respect of 2020 were foregone and consequently the portion of their non-financial TIP opportunity was not awarded, representing 25% of the target TIP opportunity.

REMUNERATION REPORT (CONTINUED)

REMUNERATION CHANGES FOR 2021

The Board has again reviewed the appropriateness of the TIP structure for 2021. Based on external feedback, shareholder support at the 2020 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 2021 continues to strongly align 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 2020 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 2020 reward was linked to performance
D. Total remuneration for Executive KMP
E. Actual remuneration for 2020
F. Contractual arrangements with Executive KMP
G. Non-executive Director arrangements
H. Share-based remuneration
I. Non-executive Director and Executive KMP shareholdings
J. Other statutory disclosures.

A. WHO THIS REPORT COVERS

This report covers Key Management Personnel (KMP), comprising Executive Key Management Personnel (Executive KMP) and Non-executive Directors. No changes have occurred to KMP composition since 31 December 2020 up to the date of this report:

Name	Role
Executive KMP	
Ciaran Davis	Chief Executive Officer (CEO & Managing Director)
Andrew Nye	Chief Financial Officer, HT&E and Australian Radio Network (CFO) (from 14 August 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 2020, which is outlined below:

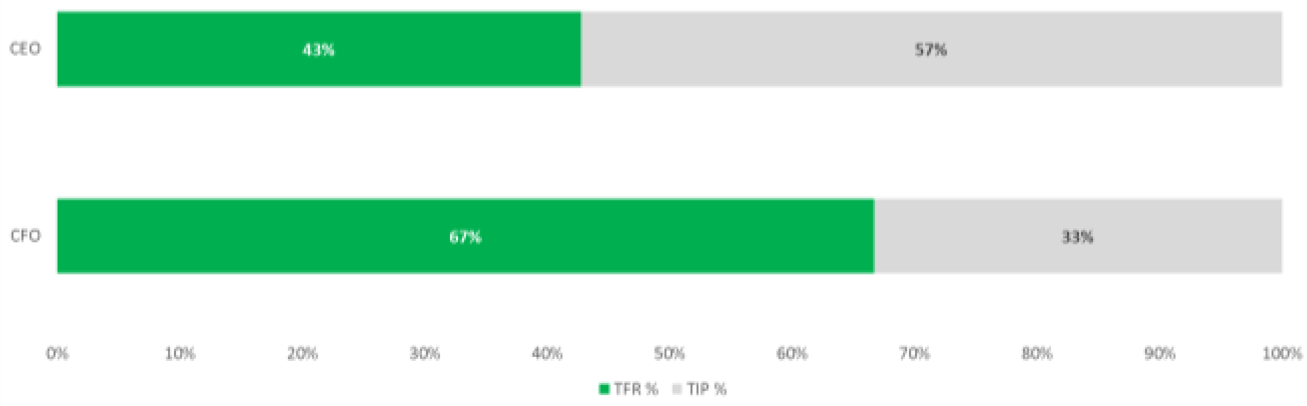
(I) TOTAL FIXED REMUNERATION (TFR)

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 TIP) would equate to what he could have earned in 2017 if targets had been met. This higher weighting of TIP to TFR 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 and CFO for 2020 is illustrated below:



The TIP award opportunity for the CFO will be increased from 50% to 100% of TFR, resulting in a target remuneration mix of 50% / 50% for TFR and TIP in 2021.

The target remuneration mix for the CEO & Managing Director is unchanged for 2021.

REMUNERATION REPORT (CONTINUED)

Retirement benefits

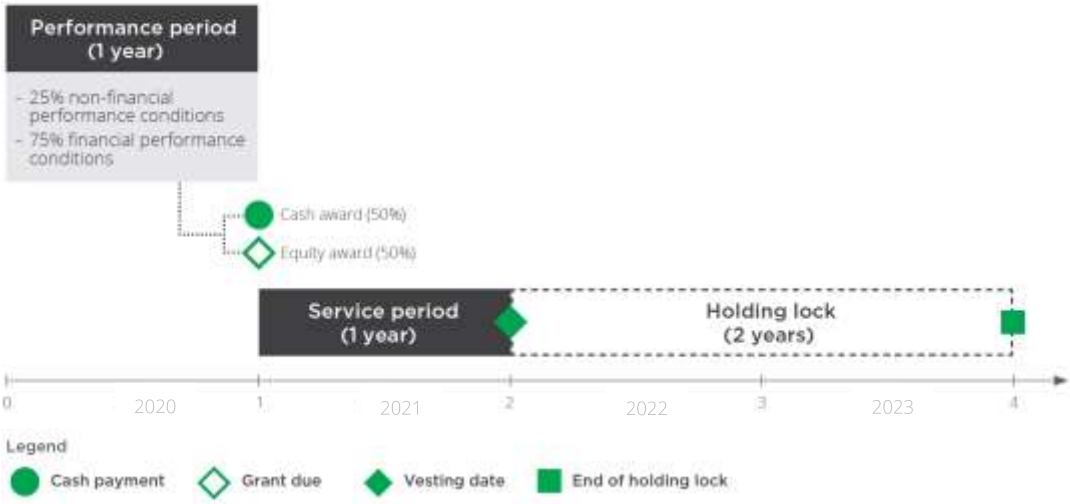
Retirement benefits are considered to be part of TFR and are delivered to Executive KMP in the form of statutory superannuation contributions to a number of different funds. Contributions made on behalf of executives are based on a percentage of fixed salary.

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 2020, and the structure for 2021 follows the same pattern.



(III) 2020 TIP: KEY TERMS

The following table outlines the key terms of the 2020 TIP.

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, target award is 135.3% of fixed remuneration, reflecting the higher weighting of target award to fixed remuneration. The CFO's target award opportunity for 2021 will be increased from 50% to 100% of fixed remuneration. 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 2020 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><th colspan="2">Financial performance conditions (75%)</th><th colspan="2">Non-financial performance conditions (25%)</th></tr>
<tr><td colspan="2">For the CEO & Managing Director and CFO, 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">2020 incentive payout schedule</td><th colspan="2">EBITDA and EPS</th><th colspan="2">ROIC</th></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 2020 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 2020 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.

(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.

REMUNERATION REPORT (CONTINUED)

C. HOW 2020 REWARD WAS LINKED TO PERFORMANCE

PERFORMANCE MEASURES

The overall Company performance for 2020 is reflected in the performance measures below. 2020 and 2019 results reflect the adoption of AASB 16 *Leases* in 2019. 2018 results 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.

	2020	2019	2018	2017	2016
Group EBITDA[1]	**$49.3m**	$75.6m	$105.5m	$118.4m	$90.9m
Net profit after tax before amortisation (NPAT/NPATA)[2]	**$15.4m**	$34.2m	$51.2m	$54.1m	$66.1m
Weighted average number of shares outstanding[3]	**279,530,868**	283,605,019	307,528,973	307,696,348	200,039,379
Basic (NPAT/NPATA) EPS[2 3] (cents)	**5.5**	12.1	16.6	17.6	33.1
ROIC[4]	**8.0%**	14.0%	23.9%	13.4%	9.6%
Dividend paid to shareholders (cents per share)	**4.6**	8.0	79.0	7.0	nil
Increase/(decrease) in share price (%)[5]	**9%**	7%	22%	(34%)	(1%)

(1) Continuing operations before exceptional items. 2018 includes Adshel's results for the period it was owned by HT&E. 2020 & 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 2016 and 2017 and NPAT for 2018 to 2020.

(3) Adjusted for treasury shares and share buyback in 2018 to 2020, share consolidation and bonus elements of the 2016 rights issues and placement.

(4) Based on EBIT from continuing operations before exceptional items for 2018 to 2020 and EBITA from continuing operations before exceptional items prior 2018.

(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) 2020 TIP AWARD

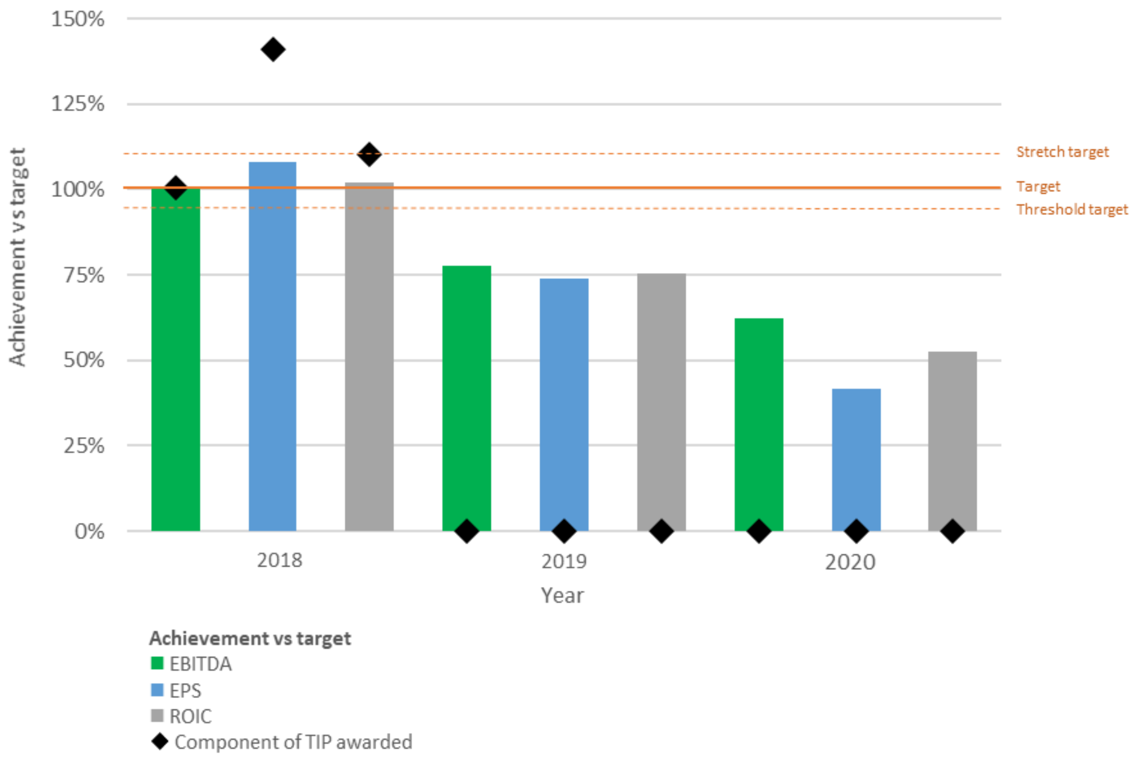
HT&E's continuing operations EBITDA, EPS and ROIC performance in 2020 were behind targets set at the beginning of the year, with advertising revenues and earnings across the Group materially impacted by the economic effects of the COVID-19 global pandemic.

A component (75%) of the 2020 TIP award was dependent on Group financial performance relative to target. Performance for the 2020 financial year is outlined in the table below:

2020 TIP financial metrics	EBITDA performance	EPS performance	ROIC performance
Group: continuing operations	Between threshold and target; 62.3% of target achieved	Between target and maximum; 41.6% of target achieved	Between target and maximum; 52.5% 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:



HT&E's performance for 2020 fell short of threshold on all financial performance conditions. Executive KMP met some or all of their personal KPI targets, with award outcomes for the CEO & Managing Director and CFO of 94% to 100%. However, as previously outlined, part of HT&E's cost management response to COVID-19 included Executive KMP foregoing all incentive payments in respect of 2020, and therefore no TIP awards have been made.

The table below summarises the 2020 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
Ciaran Davis	–	–	–	–%	–%	100%
Andrew Nye	–	–	–	–%	–%	100%

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

REMUNERATION REPORT (CONTINUED)

D. TOTAL REMUNERATION FOR EXECUTIVE KMP

Details of the Executive KMP remuneration for 2020 and 2019 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 E.

	Short-term benefits			Post-employment benefits	Other long-term benefits	Share-based payments	Total
Executive KMP	Cash salary and fees[1] $	Non-monetary benefits[2] $	Cash incentives[3] $	Super-annuation $	Long service leave[4] $	Fair value equity awards[5] $	$
Ciaran Davis							
2020	**975,907**	**24,037**	**–**	**21,348**	**40,489**	**135,327**	**1,197,108**
2019	976,489	33,143	155,250	20,767	34,683	497,111	1,717,443
Andrew Nye (from 14 August 2019)							
2020	**496,735**	**1,293**	**–**	**21,348**	**324**	**5,870**	**525,570**
2019	152,949	–	9,844	10,305	87	5,452	178,637
Total							
2020	**1,472,642**	**25,330**	**–**	**42,696**	**40,813**	**141,197**	**1,722,678**
2019	1,129,438	33,143	165,094	31,072	34,770	502,563	1,896,080

(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.
(4) Long service leave relates to amounts accrued during the year.
(5) The fair value is derived using the closing share price on the grant date.

REMUNERATION REPORT (CONTINUED)

E. ACTUAL REMUNERATION FOR 2020

The following section sets out the value of remuneration which has been received by Executive KMP for the 2020 performance year.

For Executive KMP, the number of vesting 2019 rights was increased in accordance with the TIP Rules for dividends paid during 2020. For administrative purposes, vested 2018 rights were allocated to Executive KMP after the dividend paid in March 2020 and as a result 36,609 additional rights were issued which have also vested. Refer to the Reconciliation of Rights table included in Section H (II).

The figures in the following table are different to those shown in the accounting table in Section D 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 2019 is the value of the 2018 TIP grant as at 1 January 2020 which vested at the end of 2019, consistent with the 2019 Remuneration Report.

Executive KMP	TFR[1] $	TIP $	Vested TIP[2] $	Total $
Ciaran Davis				
2020	**1,020,000**	**–**	**202,105**	**1,222,105**
2019	1,020,000	155,250	1,117,844	2,293,094
Andrew Nye (from 14 August 2019)				
2020	**518,083**	**–**	**12,412**	**530,495**
2019	163,254	9,844	–	173,098
Total				
2020	**1,538,083**	**–**	**214,517**	**1,752,600**
2019	1,183,254	165,094	1,117,844	2,466,192

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

(2) Vested TIP in 2020 includes the shares in relation to 2019 TIP that have now vested valued at the share price as at vesting date.

REMUNERATION REPORT (CONTINUED)

F. 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 – 12 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)

G. NON-EXECUTIVE DIRECTOR ARRANGEMENTS

APPROACH

Non-executive Directors are provided with written agreements which outline the fees for their contribution as Directors. Fees reflect the demands which are made on, and the responsibilities of, the Directors. The Remuneration, 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:

	2020 $		2021 $	
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, Nomination and Governance Committee	20,000	10,000	20,000	10,000

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

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 2020 and none is expected for 2021.

As previously outlined, part of HT&E's cost management response to COVID-19 included Non-executive Directors taking a 20% pay reduction for the period from May to September.

Details of the Non-executive Directors' fees for 2020 and 2019 are set out in the table below:

Non-executive Directors	**Fees $**	**Superannuation $**	**Total $**
Hamish McLennan			
2020	**241,550**	**21,188**	**262,738**
2019	263,933	20,767	284,700
Roger Amos			
2020	**96,271**	**9,146**	**105,417**
2019	123,325	11,716	135,041
Paul Connolly			
2020	**96,271**	**9,146**	**105,417**
2019	108,808	10,337	119,145
Belinda Rowe (from 5 February 2019)			
2020	**87,900**	**8,350**	**96,250**
2019	75,543	7,613	83,156
Total			
2020	**521,992**	**47,830**	**569,822**
2019	571,609	50,433	622,042

REMUNERATION REPORT (CONTINUED)

H. SHARE-BASED REMUNERATION

(I) TERMS AND CONDITIONS OF SHARE-BASED REMUNERATION

2020 TIP Awards

Executive KMP received a grant of rights under the 2020 TIP, however these rights were not awarded following the decision by Executive KMP's to forgo all incentives in respect of 2020 as part of HT&E's cost management response to COVID-19.

The table below reflects nil rights awarded and that all rights in respect of the 2020 TIP have been forfeited.

Executive KMP	Grant date[1]	Vesting date	Number of rights granted	Number of rights awarded	Number of rights forfeited	Value per right at grant date $
Ciaran Davis	7 February 2020	1 January 2022	409,457	–	409,457	1.58
Andrew Nye	7 February 2020	1 January 2022	77,144	–	77,144	1.58

(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.

(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 2020 financial year:

Executive KMP	Balance at start of the year	2018 TIP Exercised/ vested[(1)]	2019 TIP Exercised/ vested	Awarded	Dividend uplift	Balance at end of the year
Ciaran Davis						
Vested and exercisable	659,495	(696,104)	103,500	–	42,355[(1)]	109,246
Unvested	103,500	–	(103,500)	–	–	–
Total	762,995	(696,104)	–	–	42,355	109,246
Andrew Nye						
Vested and exercisable	–	–	6,356	–	353	6,709
Unvested	6,356	–	(6,356)	–	–	–
Total	6,356	–	–	–	353	6,709
Total						
Vested and exercisable	659,495	(696,104)	109,856	–	42,708	115,955
Unvested	109,856	–	(109,856)	–	–	–
Total	769,351	(696,104)	–	–	42,708	115,955

(1) For administrative purposes, vested 2018 rights were allocated to Executive KMP after the March 2020 dividend payment and as a result 36,609 additional rights were issued which have also vested.

REMUNERATION REPORT (CONTINUED)

I. 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	Granted during the year as remuneration(1)	Other changes during the year	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	–	–	–	–
Executive KMP				
Ciaran Davis	420,134	140,528	–	560,662
Andrew Nye	50,476	–	–	50,476

(1) 103,919 of shares for the 2017 TIP release from the two-year holding period. For administrative purposes, vested 2018 rights were allocated to Executive KMP after the March 2020 dividend payment and as a result 36,609 additional rights were issued which have also vested.

J. 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) TRANSACTIONS WITH RELATED PARTIES

$18,750 director fees received from Soprano Design Pty Limited by Belinda Rowe for services performed.

(III) 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 Executive KMP, are not permitted to hedge any options, rights or similar instruments prior to them becoming vested or otherwise tradable under the applicable plan.

(IV) VOTING AND COMMENTS MADE AT THE COMPANY'S 2020 AGM

The Company received more than 97% of 'yes' votes on its Remuneration Report for the 2019 financial year, and more than 98% 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 2020 financial year.

(V) EXTERNAL REMUNERATION CONSULTANTS

During 2020, HT&E did not receive advice from any external remuneration consultants.

All advice from remuneration consultants is carefully considered by the Remuneration, Nomination and Governance Committee.

AUDITOR'S INDEPENDENCE DECLARATION

pwc

As lead auditor for the audit of HT&E Limited for the year ended 31 December 2020, 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 2021

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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 2021. The Directors have the power to amend and reissue the financial statements.

BASIS OF PREPARATION

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

All new and amended Australian Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period have been adopted. Refer to note 6.4 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 and certain classes of property, plant and equipment.

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

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

KEY JUDGEMENTS AND ESTIMATES

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

- Note 2.1 Intangible assets;
- Note 2.3 Leases;
- Note 4.1 Income tax and deferred tax; and
- Note 5.4 Investments accounted for using the equity method.

SIGNIFICANT EVENTS IN THE CURRENT REPORTING PERIOD

COVID-19

The Directors and Management have assessed the impact of COVID-19 on the Group for year ending 31 December 2020, with focus on valuation of assets, recognition and measurement of liabilities and sources of estimation uncertainty. Further detail of this assessment is provided in the following notes to the financial statements:

Accounting for government subsidies and grants	Note 1.1
Intangible assets	Note 2.1
Leases	Note 2.3
Receivables	Note 3.3(B)
Investments accounted for using the equity method	Note 5.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020 $'000	2019 $'000
Revenue	1.1	**197,270**	252,691
Other revenue and income	1.1	**13,512**	9,678
Total revenue and other income		**210,782**	262,369
Expenses before impairment, finance costs, depreciation and amortisation	1.2	**(153,100)**	(205,906)
Impairment of intangible assets	2.1	**(54,178)**	–
Impairment of right-of-use assets	2.3	**(7,093)**	–
Associate impairment and joint venture related closure costs	5.4, 1.3	**(4,394)**	(5,423)
Finance costs	1.2	**(4,519)**	(4,760)
Depreciation and amortisation	1.2	**(16,817)**	(18,778)
Share of profits of associates and joint ventures accounted for using the equity method	5.4	**5,998**	2,527
(Loss)/profit before income tax		**(23,321)**	30,029
Income tax expense	4.1	**(15,778)**	(39,879)
Loss for the year		**(39,099)**	(9,850)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Net exchange difference on translation of foreign operations	3.7	**1,373**	(56)
Reclassification of foreign currency translation reserve to profit and loss	3.7	**(22)**	–
Share of associate's other comprehensive income	3.7	**504**	–
Item that will not be reclassified to profit or loss			
Changes in the fair value of equity investments recorded at fair value through other comprehensive income	5.3	**19,473**	–
Revaluation of freehold land and buildings	3.7	**42**	1,575
Other comprehensive income, net of tax		**21,370**	1,519
Total comprehensive income		**(17,729)**	(8,331)
Loss for the year is attributable to:			
Owners of the parent entity		**(42,501)**	(14,195)
Non-controlling interests		**3,402**	4,345
Loss for the year		**(39,099)**	(9,850)
Total comprehensive income is attributable to:			
Owners of the parent entity		**(21,131)**	(12,676)
Non-controlling interests		**3,402**	4,345
		(17,729)	(8,331)

		Cents	Cents
Earnings per share			
Basic/diluted earnings per share	1.4	**(15.2)**	(5.0)

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents	3.2	**65,080**	110,972
Short-term deposits	3.2	**50,000**	–
Receivables	3.3(B)	**43,919**	45,700
Tax assets	4.1	**1,553**	3,339
Other current assets		**3,475**	3,990
Total current assets		**164,027**	164,001
Non-current assets			
Shares in other corporations	5.3	**46,583**	37,346
Investments accounted for using the equity method	5.4	**51,320**	17,314
Property, plant and equipment	2.2	**19,080**	22,132
Intangible assets	2.1	**373,912**	427,397
Right-of-use assets	2.3	**31,172**	51,003
Deposit of tax in dispute, net of provision	4.1	**3,930**	20,670
Other non-current assets		**4,354**	5,456
Total non-current assets		**530,351**	581,318
Total assets		**694,378**	745,319
Current liabilities			
Payables		**21,506**	24,092
Contract liabilities	1.1	**4,378**	5,552
Lease liabilities	2.3	**14,346**	14,315
Provisions	2.4	**4,973**	12,817
Total current liabilities		**45,203**	56,776
Non-current liabilities			
Bank loans	3.1	**2,934**	–
Lease liabilities	2.3	**29,272**	44,816
Provisions	2.4	**4,768**	5,184
Deferred tax liabilities	4.1	**119,958**	108,638
Total non-current liabilities		**156,932**	158,638
Total liabilities		**202,135**	215,414
Net assets		**492,243**	529,905
Equity			
Contributed equity	3.5	**1,480,752**	1,483,685
Reserves	3.7	**(23,203)**	(43,743)
Accumulated losses	3.7	**(1,001,357)**	(946,536)
Total parent entity interest		**456,192**	493,406
Non-controlling interests		**36,051**	36,499
Total equity		**492,243**	529,905

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 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**218,025**	285,908
Payments to suppliers and employees (inclusive of GST)		**(177,889)**	(221,173)
Government subsidies and grants		**10,728**	–
Dividends received		**188**	3,836
Interest received		**934**	2,069
Interest paid		**(4,266)**	(3,632)
Income taxes refunded/(paid)		**6,257**	(22,174)
Tax matter settlement	4.1	**(3,200)**	–
Net cash inflows from operating activities	3.2	**50,777**	44,834
Cash flows from investing activities			
Payments for property, plant and equipment	2.2	**(1,633)**	(7,793)
Payments for software	2.1	**(483)**	(187)
Investment in joint venture		**–**	(500)
Increase in investment in shares in other corporations	5.3	**(18,073)**	–
Payments for short-term deposits		**(50,000)**	–
Loans from/(to) joint ventures		**2,811**	(1,788)
Net loans repaid by other entities		**726**	667
Dividends received from associate	5.4	**1,250**	–
Net cash outflows from investing activities		**(65,402)**	(9,601)
Cash flows from financing activities			
Proceeds from borrowings	3.1	**3,265**	–
Payments for borrowing costs		**(33)**	(262)
Principal elements of lease payments	2.3	**(14,341)**	(13,495)
Payments for treasury shares	3.7	**(331)**	(2,537)
Dividends paid to shareholders	3.8	**(12,840)**	(22,776)
Payments for share buyback	3.5	**(2,933)**	(8,870)
Net payments to non-controlling interests		**(3,850)**	(4,710)
Net cash outflows from financing activities		**(31,063)**	(52,650)
Change in cash and cash equivalents		**(45,688)**	(17,417)
Cash and cash equivalents at beginning of the year		**110,972**	128,355
Effect of exchange rate changes		**(204)**	34
Cash and cash equivalents at end of the year	3.2	**65,080**	110,972

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Note	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2019		1,492,555	(43,809)	(905,894)	**542,852**	36,864	**579,716**
Change in accounting policy – lease accounting		–	–	(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	3.7	–	523	–	**523**	–	**523**
Share buy-back	3.5	(8,870)	–	–	**(8,870)**	–	**(8,870)**
Dividends paid to shareholders	3.8	–	–	(22,776)	**(22,776)**	–	**(22,776)**
Transfers within equity	3.7	–	84	(84)	**–**	–	**–**
Treasury shares vested to employees	3.7	–	477	–	**477**	–	**477**
Acquisition of treasury shares	3.7	–	(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**
Balance at 1 January 2020		1,483,685	(43,743)	(946,536)	**493,406**	36,499	**529,905**
Loss for the period		–	–	(42,501)	**(42,501)**	3,402	**(39,099)**
Other comprehensive income		–	21,370	–	**21,370**	–	**21,370**
Share-based payments	3.7	–	(1,771)	–	**(1,771)**	–	**(1,771)**
Share buy-back	3.5	(2,933)	–	–	**(2,933)**	–	**(2,933)**
Dividends paid to shareholders	3.8	–	–	(12,840)	**(12,840)**	–	**(12,840)**
Transfers within equity	3.7	–	(520)	520	**–**	–	**–**
Treasury shares vested to employees	3.7	–	1,792	–	**1,792**	–	**1,792**
Acquisition of treasury shares	3.7	–	(331)	–	**(331)**	–	**(331)**
Transactions with non-controlling interests		–	–	–	**–**	(3,850)	**(3,850)**
Balance at 31 December 2020		1,480,752	(23,203)	(1,001,357)	**456,192**	36,051	**492,243**

The Group initially applied AASB 16 *Leases* at 1 January 2019. Under the modified retrospective transition method chosen comparative information was not restated

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GROUP PERFORMANCE

1.1 REVENUES

	Note	2020 $'000	2019 $'000
Revenue and other income			
Broadcast revenue		**160,603**	202,034
Advertising revenue		**30,575**	43,738
Services revenue		**5,983**	6,861
Other revenue		**109**	58
Revenue		**197,270**	252,691
Gain on financial assets held at fair value through profit or loss		**726**	2,037
Dividend income		**188**	4,360
Government subsidies and grants	1.3	**10,728**	–
Other		**1,145**	787
Other income		**12,787**	7,184
Interest income		**725**	2,494
Total other revenue and income		**13,512**	9,678
Total revenue and other income		**210,782**	262,369

Revenue recognised in the year ended 31 December 2020 that was included in the contract liabilities balance as at 1 January 2020 is $5.6 million (2019: $10.8 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.1 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.

Government subsidies and grants

Subsidies from relevant governments compensates the Group for employee benefits expense incurred and is recognised in profit or loss on a systematic basis in the period in which the expense is recognised.

During the period, Australian domiciled entities within the Group were eligible for the JobKeeper subsidy from the Australian government. This has been recorded within Other Income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.2 EXPENSES

	Note	2020 $'000	2019 $'000
Employee benefits expense		**91,945**	98,928
Production and distribution expense		**14,967**	21,083
Selling and marketing expense		**28,806**	39,253
Rental and occupancy expense		**6,142**	10,047
Professional fees		**4,715**	6,825
Repairs and maintenance costs		**1,981**	1,782
Travel and entertainment costs		**1,104**	2,894
Redundancies and associated costs	1.3	**1,458**	4,802
Loss on disposal of investment in joint venture	5.4	**–**	13,355
Loss on sale of business	1.3	**350**	1,508
Onerous contract provision adjustment	1.3, 2.4	**(4,799)**	–
Joint venture closure costs remeasurement	1.3	**(350)**	–
Other expenses		**6,781**	5,429
Total expenses before impairment, finance costs, depreciation and amortisation		**153,100**	205,906
Interest – lease liabilities	2.3	**2,275**	2,343
Interest and finance charges		**1,714**	1,741
Borrowing costs amortisation		**530**	676
Total finance costs		**4,519**	4,760
Depreciation – right-of-use assets	2.3	**12,629**	14,021
Depreciation – other assets	2.2	**3,152**	4,190
Amortisation	2.1	**1,036**	567
Total depreciation and amortisation		**16,817**	18,778

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.3 SEGMENT INFORMATION

(I) DESCRIPTION OF SEGMENTS

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

Reportable segment	Principal activities
Australian Radio Network	Metropolitan radio networks, on-demand radio, streaming and podcasting (Australia)
HK Outdoor	Billboard, transit and other outdoor advertising (Hong Kong)
Digital Investments	Includes controlling interests in Emotive Pty Limited (creative agency) and equity accounted investments in Soprano Design Pty Limited (software vendor for secure messaging services)

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.

HT&E Events Pty Limited and Unbnd Group Pty Ltd are included in the Digital Investments segment in 2019. The Group's investment in Unbnd Group Pty Ltd was disposed of on 19 September 2019, while HT&E Events Pty Limited was wound down in 2019.

During the period the Group's 50% interest in Nova Entertainment (Perth) Pty Ltd became an associate (refer to note 5.4). The Group's share of profits in Nova Entertainment (Perth) Pty Ltd is recorded in the Australian Radio Network segment.

(II) RESULTS BY OPERATING SEGMENT

The segment information provided to the Directors and senior management team for the year ended 31 December 2020 is as follows:

2020 $'000	Australian Radio Network	HK Outdoor	Digital Investments	Corporate	Group elimination	Total
Revenue from external customers	175,264	16,487	5,648	–	(129)	**197,270**
Share of profits of associate & joint ventures	2,737	–	3,261	–	–	**5,998**
Segment result	46,234	7,662	3,783	(8,343)	–	**49,336**
Segment assets	484,309	21,771	25,782	162,516	–	**694,378**
Segment liabilities	45,394	26,842	2,715	127,184	–	**202,135**
Reconciliation of segment result to loss before income tax						
Segment result						**49,336**
Depreciation and amortisation[A]						**(16,817)**
Net finance costs						**(3,794)**
Government subsidies and grants [B]						**10,728**
Impairment of intangible assets [C]						**(54,178)**
Impairment of right-of-use assets [D]						**(7,093)**
Associate impairment [E]						**(4,394)**
Redundancies and associated costs [F]						**(1,458)**
Loss on sale of business [G]						**(350)**
Onerous contract provision adjustment [H]						**4,799**
Joint venture closure costs remeasurement [I]						**350**
Reclassification of foreign currency translation reserve to profit and loss on closure of foreign operations						**(450)**
Loss before income tax						**(23,321)**

Explanation of statutory adjustments

(A) Consists of depreciation of $15.8 million and amortisation of $1.0 million (refer to note 1.2).

(B) Refers to the Australian Government JobKeeper subsidy and Hong Kong Government Employment Support Scheme subsidy received by the Group during the period. Refer to note 1.1 for more information.

(C) Impairment of HK Outdoor ($2.7 million) and Australian Radio Network ($51.5 million) goodwill. Refer to note 2.1 for more information.

(D) Impairment of HK Outdoor right-of-use assets relating to Advertising Concession Agreements. Refer to note 2.3 for more information.

(E) Impairment of the Group's investment in Nova Entertainment (Perth) Pty Ltd. Refer to note 5.4 for more information.

(F) Restructuring costs associated with the Australian Radio Network resulting from a review of the Company's operating model and senior management needs.

(G) Costs not deemed recoverable in relation to the disposal of The Roar Sports Media Pty Ltd, which was effective 31 January 2020.

(H) Adjustment of the provision for financial guarantee costs related to Unbnd Group Pty Ltd, a joint venture which was disposed on 19 September 2019.

(I) Remeasurement of final closure costs in relation to HT&E Events Pty Limited, which was wound down in 2019 following the decision to close Gfinity Esports Australia.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.3 SEGMENT INFORMATION (CONTINUED)
(II) RESULTS BY OPERATING SEGMENT (CONTINUED)

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						
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						**30,029**

Explanation of statutory adjustments

(A) Consists of depreciation of $18.2 million and amortisation of $0.6 million. Refer to note 1.2.

(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 5.4.

(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.

(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 $180.8 million (2019: $227.9 million) and in Asia is $16.5 million (2019: $24.8 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 $514.7 million (2019: $545.2 million) and in Hong Kong is $15.7 million (2019: $36.1 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)

1.4 EARNINGS PER SHARE

	2020 $'000	2019 $'000
(a) Reconciliation of earnings used in calculating earnings per share (EPS)		
Loss attributable to owners of the parent entity	**(42,501)**	(14,195)
Loss attributable to owners of the parent entity used in calculating basic/diluted EPS	**(42,501)**	(14,195)

	Number	Number
(b) Weighted average number of shares		
Weighted average number of shares used as the denominator in calculating basic EPS	**279,590,599**	284,497,535
Weighted average number of treasury shares	**(59,730)**	(892,515)
Adjusted for calculation of diluted EPS:		
Unvested/unexercised rights	**115,955**	1,264,796
Weighted average number of shares used as the denominator in calculating diluted EPS	**279,646,824**	284,869,816

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)

2. OPERATING ASSETS AND LIABILITIES

2.1 INTANGIBLE ASSETS

2019 $'000	Goodwill	Software	Radio licences	Brands	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 (i)	–	(108)	–	(1,330)	(1,438)
Foreign exchange differences	19	1	–	–	20
Closing net book amount	**55,100**	**1,017**	**371,273**	**7**	**427,397**

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

2020 $'000	Goodwill	Software	Radio licences	Brands	Total
Cost	55,140	5,687	375,284	–	**436,111**
Accumulated amortisation and impairment	(54,650)	(3,305)	(4,244)	–	**(62,199)**
Net book amount	**490**	**2,382**	**371,040**	**–**	**373,912**
Movements					
Opening net book amount	55,100	1,017	371,273	7	**427,397**
Additions	–	483	–	–	**483**
Disposals	–	–	–	(7)	**(7)**
Transfers and other adjustments	–	1,685	–	–	**1,685**
Amortisation	–	(803)	(233)	–	**(1,036)**
Impairment charge	(54,178)	–	–	–	**(54,178)**
Foreign exchange differences	(432)	–	–	–	**(432)**
Closing net book amount	**490**	**2,382**	**371,040**	**–**	**373,912**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 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 – other	Indefinite	No amortisation	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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 INTANGIBLE ASSETS (CONTINUED)

YEAR-END IMPAIRMENT REVIEW

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

Name of CGU	2020 Goodwill $'000	2020 Other non-amortising intangible assets $'000	2019 Goodwill $'000	2019 Other non-amortising intangible assets $'000
Australian Radio Network	–	**367,451**	51,494	367,451
HK Outdoor	–	–	3,116	–
Emotive	**490**	–	490	–
Total goodwill and other non-amortising intangible assets	**490**	**367,451**	55,100	367,451

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

A comprehensive impairment review was conducted at 31 December 2020. The recoverable amount of the Australian Radio Network CGU which includes indefinite life intangible assets was reviewed.

The recoverable amounts of the Australian Radio Network CGU was estimated based on value in use calculations, using management budgets and forecasts for a 5 year period, after adjusting for central overheads.

Due to the economic impacts associated with COVID-19, comprehensive impairment tests were conducted at 30 June 2020. The recoverable amount of each cash generating unit (CGU) that included goodwill or indefinite life intangible assets at 30 June 2020 was reviewed.

In the Australian Radio Network CGU, goodwill was fully impaired ($51,494,000) at 30 June 2020. In the HK Outdoor CGU, remaining goodwill was fully impaired ($2,684,000) and right-of-use assets related to advertising concession agreements were part impaired ($7,093,000) (refer to note 2.3).

The impairments recorded in Australian Radio Network and HK Outdoor CGU's are the result of the financial underperformance of each business relative to the original forecast during the six months ended 30 June 2020, and a downward revision to forecast future cashflows in the short to medium term in response to uncertainty in advertising markets created by COVID-19.

The key assumptions for the impairment review as at 31 December 2020, used to calculate the recoverable amount are presented overleaf.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 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 market will return to historical 2019 levels within the forecast period, and the Australian Radio Network CGU will gain some 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 the HK Outdoor CGU will return to historical 2019 levels within the forecast period. Future yield growth in the existing asset base is also assumed; and[i] • 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.
Terminal value cash flows	Cash flows are extrapolated at growth rates not exceeding the long-term average growth rate for the industry in which the CGU operates.

[i] All indefinite life intangible assets were fully impaired at 30 June 2020 for HK Outdoor CGU, and therefore no further impairment assessment is required. Refer to note 2.3 for impairment assessment on HK Outdoor right-of-use assets.

(ii) Discount rate and long-term growth rate

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

Name of CGU	Dec 2020 Post-tax discount rate	Dec 2020 Pre-tax discount rate	Dec 2020 Long-term growth rate	Dec 2019 Post-tax discount rate	Dec 2019 Pre-tax discount rate	Dec 2019 Long-term growth rate
Australian Radio Network	**10.0%**	**13.3%**	**2.0%**	10.0%	13.6%	2.0%
HK Outdoor	**11.2%**	**12.7%**	**2.0%**	10.0%	12.4%	2.0%

No additional impairment was recognised for these CGUs in the 6 months to 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(iii) Estimation uncertainty and key assumptions

KEY JUDGEMENTS AND ESTIMATES

The Group tests whether goodwill and other non-amortising intangible assets have suffered any impairment, in accordance with the accounting policy stated below. 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.

Value in use calculations are highly sensitive to changes in certain key assumptions. With limited market-based data sources against which to benchmark key economic indicators on a forward-looking basis management has exercised judgement when determining the duration, severity and impact of the macroeconomic scenarios used by the Group. For the Australian Radio Network CGU, the carrying value is supported by value in use calculations.

The below illustrates how a reasonable possible change in estimate and assumptions can impact headroom. The headroom for the Australian Radio Network CGU would change by the following based on changes made in isolation to the key assumptions below:

In $'000s	Discount Rate change		Long-term growth rate change		Terminal EBITDA forecast change	
Name of CGU	+0.5%	-0.5%	+0.5%	-0.5%	+1%	-1%
Australian Radio Network	(31,496)	35,705	26,279	(23,198)	4,311	(4,311)

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)

2.2 PROPERTY, PLANT AND EQUIPMENT

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**

2020 $'000	Freehold land	Buildings	Plant and equipment	Total
Cost or fair value	2,391	1,046	75,732	**79,169**
Accumulated depreciation and impairment	–	(93)	(61,840)	**(61,933)**
Capital works in progress	–	–	1,844	**1,844**
Net book amount	**2,391**	**953**	**15,736**	**19,080**
Movements				
Opening net book amount	2,391	937	18,804	**22,132**
Additions	–	–	1,881	**1,881**
Depreciation	–	(44)	(3,108)	**(3,152)**
Transfers and other adjustments	–	–	(1,685)	**(1,685)**
Disposal	–	–	(148)	**(148)**
Revaluation of freehold land and buildings	–	60	–	**60**
Foreign exchange differences	–	–	(8)	**(8)**
Closing net book amount	**2,391**	**953**	**15,736**	**19,080**

The Group had capital commitments of $158,000 as at 31 December 2020 (2019: $nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

ACCOUNTING POLICY

Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited to 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: 20 years;
- plant and equipment: 3-25 years; and

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)

2.3 LEASES

As a lessee, the Group leases several assets including property, advertising spaces, motor vehicles and other equipment. The average lease term is 2.9 years (2019: 4.0 years)

(i) AMOUNTS RECOGNISED IN THE BALANCE SHEET

	2020 $'000	2019 $'000
Property	19,843	23,788
Advertising concession agreements	11,023	26,632
Motor vehicle and other	306	583
Total right-of-use assets	31,172	51,003
Current	14,346	14,315
Non-current	29,272	44,816
Total lease liabilities	43,618	59,131

During the period, HK Outdoor Advertising concession agreement right-of-use assets were impaired by $7.1 million. Refer to section below for further information.

Additions to the right-of-use assets during the 2020 financial year were $0.6 million (2019: $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]:

	2020 $'000	2019 $'000
Not later than 1 year	15,148	16,247
Later than 1 year and not later than 5 years	19,923	33,997
Later than 5 years	19,085	20,422
	54,156	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:

	2020 $'000	2019 $'000
Property	3,803	3,678
Advertising concession agreements	8,522	10,020
Motor vehicle and other	304	323
Depreciation charge of right-of-use assets	12,629	14,021
Interest expense on lease liabilities	2,275	2,343
Rental and occupancy expense relating to short-term leases	1,405	2,387
Rental and occupancy expense relating to variable lease payments not included in the measurement of the lease liability	300	2,367

The total cash outflow for leases, inclusive of principal and interest was $16.6 million (2019: $15.8 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 LEASES (CONTINUED)

(III) IMPAIRMENT TEST OF ADVERTISING CONCESSION AGREEMENTS

As at 30 June 2020, there were indications that the carrying amount of HK Outdoor Advertising Concession Agreements may exceed their recoverable amount, so an impairment test was performed. As a result of the testing performed, an impairment charge of $7.1 million was recognised for the 6 months ending 30 June 2020.

An impairment test was performed as at 31 December 2020, which determined no change in the impairment calculated at 30 June 2020.

The recoverable amount of the right-of-use assets were based on the discounted cash flow analysis over the contractual period for right-of-use assets, which takes into account the financial performance of specific advertising concession agreements as 31 December 2020.

(IV) ESTIMATION UNCERTAINTY AND KEY ASSUMPTIONS

Following the impairment in the period, the recoverable amount for the HK Outdoor right-of-use assets is in surplus of the carrying value. A reversal of impairment would not be appropriate as factors that give rise to the impairment as at 30 June 2020 continue to impact trading conditions. A 10% deterioration to cashflows across each year of the forecast period would result in a further impairment of approximately $0.2 million to the tram shelter contracts and no further impairment of the roadside contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 LEASES (CONTINUED)

ACCOUNTING POLICY

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)

2.3 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)

2.4 PROVISIONS

	2020 $'000	2019 $'000
Current		
Employee benefits	**4,433**	4,920
Onerous contracts	**–**	4,897
Provision for uncertain tax treatment	**–**	3,000
Other	**540**	–
Total current provisions	**4,973**	12,817
Non-current		
Employee benefits	**1,072**	1,191
Other	**3,696**	3,993
Total non-current provisions	**4,768**	5,184

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

2020	Onerous contracts $'000	Provision for uncertain tax treatment $'000	Other $'000	Total $'000
Carrying amount at beginning of the year	4,897	3,000	3,993	**11,890**
Additional amounts recognised	–	–	649	**649**
Amounts used	(98)	(3,000)	(386)	**(3,484)**
Reversal	(4,799)	–	–	**(4,799)**
Foreign exchange differences	–	–	(20)	**(20)**
Carrying amount at end of the year	**–**	**–**	**4,236**	**4,236**

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. The financial guarantee remained undrawn upon expiry on 30 October 2020 which resulted in a $4.8 million adjustment to loss on disposal of investment in joint venture (refer to note 1.3).

The provision for uncertain tax treatment is in relation to a legacy financing arrangement (refer to note 4.1).

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.

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 4.1).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. CAPITAL MANAGEMENT

3.1 BANK LOANS

	Note	2020 $'000	2019 $'000
Non-current bank loans			
Bank loans – unsecured		**2,934**	–
Total non-current bank loans[i]		**2,934**	–
Net debt [i]			
Non-current bank loans		**2,934**	–
Cash and cash equivalents	3.2	**(65,080)**	(110,972)
Short-term deposits	3.2	**(50,000)**	–
Net cash		**(112,146)**	(110,972)

(i) The drawn bank loan is denominated in Hong Kong dollars. The majority of the unsecured debt facility expires in January 2024.

(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:	2020 $'000	2019 $'000
Loan facilities [i]		
Unsecured bank loan facilities	**258,384**	259,146
Amount of facility utilised [ii]	**(6,260)**	(9,150)
Amount of available facility	**252,124**	249,996
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 loan and guarantees drawn.

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)

3.2 CASH FLOW INFORMATION

RECONCILIATION OF CASH

	2020 $'000	2019 $'000
Cash at end of the year, as shown in the statement of cash flows, comprises:		
Cash at bank and on hand	**65,080**	110,972
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 for the year	**(39,099)**	(9,850)
Depreciation and amortisation	**16,817**	18,778
Borrowing costs amortisation	**530**	676
Share of profits of associate and joint ventures	**(5,998)**	(2,527)
Interest income from associate and joint venture	**–**	(71)
Other non-cash items	**327**	(224)
Impairment of intangible assets	**54,178**	–
Impairment of right-of-use assets	**7,093**	–
Joint venture impairment and related closure costs	**4,394**	5,423
Loss on disposal of investment in joint venture	**–**	13,355
Loss on disposal of business	**–**	1,508
Share-based payments expense	**176**	1,000
Gains on financial assets held at fair value through profit or loss	**(726)**	(2,037)
Net loss on sale of non-current assets	**22**	4
Provisions for uncertain tax treatments	**–**	33,000
Tax matter settlement	**(3,200)**	–
Changes in assets and liabilities net of effect of acquisitions and changes in accounting policy:		
Trade and other receivables	**1,028**	8,488
Prepayments	**715**	(2,693)
Change in current tax /deferred tax liabilities	**22,036**	(15,295)
Trade and other payables and provision for employee benefits	**(7,516)**	(4,701)
Net cash inflows from operating activities	**50,777**	44,834

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, with maturities 90 days or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3.3 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.

Since 31 December 2019, COVID-19 has negatively affected world economies and financial markets and contributed to a decline in revenues across many industries, including media. Credit risk has increased while market risk has not changed materially from the prior period. Liquidity risk continues to be monitored through rolling forecasts of the Group's expected cash flows and managed through maintenance of sufficient cash and committed credit facilities, which remain largely undrawn at the end of the reporting period.

(A) MARKET RISK

(i) Cash flow and fair value interest rate risk

As at 31 December 2020, the Group had $2.9 million of long-term borrowings outstanding, $65.1 million of cash and cash equivalents and $50 million in short-term deposits. The Group is exposed to interest rates risk through its cash and cash equivalents and short-term deposits 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 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

Price risk refers to the risk of a decline in the value of a security or a portfolio. While the Group does have equity investments in listed securities (refer to note 3.4), 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. Group credit risk principally arises from customer receivables, cash and cash equivalents, short-term deposits with banks and financial institutions and financial guarantees (refer to note 6.1 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 – trade receivables

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

The economic impacts of COVID-19 have contributed to an increase in credit risk among customers and as such the expected credit loss provision matrix has been adjusted in the period to reflect the increased risk of impairment.

To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3.3 FINANCIAL RISK MANAGEMENT (CONTINUED)

The carrying amount of receivables as at reporting date was as follows:

	Note	2020 $'000	2019 $'000
Trade receivables		**41,239**	44,155
Loss allowance		**(585)**	(550)
		40,654	43,605
Other receivables		**3,265**	2,095
Total receivables		**43,919**	45,700

The loss allowance determined for trade receivables as at 31 December 2019 and 2020 is as follows:

	2020 $'000	2019 $'000
Opening loss allowance as at 1 January	**550**	529
Expected credit losses recognised in profit or loss	**130**	96
Receivables written off as uncollectible	**(95)**	(75)
Closing loss allowance	**585**	550

The aging of trade receivables that were not impaired at the end of the reporting date was as follows:

	2020 $'000	2019 $'000
Current	**37,419**	41,181
Past due less than 1 month	**2,863**	1,471
Past due 1 to 3 months	**370**	814
Past due 3 to 6 months	**187**	456
Past due over 6 months	**400**	233
Trade receivables	**41,239**	44,155

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 3.3(B).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3.3 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 $21,506,000 (2019: $24,092,000) 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.

The relevant maturity groupings for lease liabilities are detailed in note 2.3. Details of credit standby arrangements and loan facilities are included in note 3.1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3.4 FAIR VALUE MEASUREMENTS

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

- financial assets at fair value through profit or loss;
- financial assets at fair value through other comprehensive income; and
- land and buildings.

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 2019 and 2020:

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	5.3	–	–	37,346	**37,346**
Total financial assets		–	–	37,346	**37,346**
Non-financial assets					
Freehold land and buildings					
Freehold land	2.2	–	–	2,391	**2,391**
Buildings	2.2	–	–	937	**937**
Total non-financial assets		–	–	3,328	**3,328**

2020	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements					
Financial assets					
Financial assets at fair value through profit or loss					
Shares in other corporations	5.3	–	–	688	**688**
Financial assets at fair value through other comprehensive income					
Shares in other corporations	5.3	45,895	–	–	**45,895**
Total financial assets		45,895	–	688	**46,583**
Non-financial assets					
Freehold land and buildings					
Freehold land	2.2	–	–	2,391	**2,391**
Buildings	2.2	–	–	953	**953**
Total non-financial assets		–	–	3,344	**3,344**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3.4 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 fair value of bank loans approximates the carrying amount.

During the period, the Group purchased shares in oOh!media Limited (OML), which are held at fair value through other comprehensive income. As OML is listed on the Australian Stock Exchange (ASX), the fair value is determined by reference to the quoted price. Refer to note 5.3 for more information.

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

The fair value of lease liabilities disclosed in note 2.3 is estimated by discounting the minimum lease payments at the Group's incremental borrowing rate. For the period ended 31 December 2020, 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 that are measured through profit and loss, which are valued using discount rates, forecast cash flows, EBITDA multiples estimated by management based on comparable transactions and industry data. Refer to note 5.3 for more information on the fair value measurement of shares in other corporations.

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 2.2), less subsequent depreciation for buildings. This is considered sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. All resulting fair value estimates for properties are included in level 3.

During the year, a fair value gain of $0.7 million (2019: $2.0 million) was recorded in other income for shares in other corporations. There were no other material level 3 fair value movements during the year.

3.5 CONTRIBUTED EQUITY

	2020 $'000	2019 $'000
Issued and paid up share capital	**1,480,752**	1,483,685

(A) MOVEMENTS IN CONTRIBUTED EQUITY DURING THE FINANCIAL YEAR

	2020 Number shares	2019 Number shares	2020 $'000	2019 $'000
Balance at beginning of the year	**280,229,160**	285,598,399	**1,483,685**	1,492,555
Share buy-back(i)	**(2,032,893)**	(5,369,239)	**(2,933)**	(8,870)
Balance at end of the year	**278,196,267**	280,229,160	**1,480,752**	1,483,685

(i) During 2020, the Company purchased and cancelled on-market 2.0 million shares (2019: 5.4 million). The shares were acquired at an average price of $1.44 per share (2019: $1.65).

(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)

3.6 SHARE-BASED PAYMENTS

	2020 Number of rights	2019 Number of rights
As at 1 January	**1,391,931**	1,446,914
Awarded	**–**	189,099
Exercised	**(1,348,187)**	(327,400)
Other changes	**72,211**	83,318
Balance at end of the year	**115,955**	1,391,931

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

Incentive plan	Vesting date	Weighted average fair value	Rights 2020	Rights 2019
2018 TIP[1, 2]	1–Jan–20	$1.84	**–**	1,190,966
2019 TIP[3]	1-Jan-21	$1.60	**115,955**	200,965
Balance at end of the year			**115,955**	1,391,931

	2020	2019
Weighted average remaining contractual life of rights outstanding at end of period	**0.0 year**	0.1 year

(1) 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.

(2) 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.

(3) 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 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 7 February 2020. The 2019 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. 6,099 additional rights were issued to satisfy this requirement in respect of 2019. This is disclosed in other changes in the 2020 reconciliation above.

Share-based payments expense related to the above tables for the year was $176,000 (2019: $1,000,000).

Further information of the rights granted to Executive KMP is contained in the Remuneration Report found on pages 30 to 44 of the Annual Report.

The TIP, encompassing the 2020 financial year, has not been awarded.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3.6 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)

3.7 RESERVES AND ACCUMULATED LOSSES

	2020 $'000	2019 $'000
Reserves		
Asset revaluation reserve	**2,403**	2,361
Foreign currency translation reserve	**1,810**	(45)
Share-based payments reserve	**8,131**	10,422
Investment revaluation reserve	**19,473**	–
Transactions with non-controlling interests reserve	**(53,283)**	(53,283)
Treasury shares reserve	**(1,737)**	(3,198)
Total reserves	**(23,203)**	(43,743)
Asset revaluation reserve		
Balance at beginning of the year	**2,361**	786
Revaluation of freehold land and buildings	**42**	1,575
Balance at end of the year	**2,403**	2,361
Foreign currency translation reserve		
Balance at beginning of the year	**(45)**	11
Reclassification of foreign currency translation reserve to profit or loss	**(22)**	–
Net exchange difference on translation of foreign operations	**1,373**	(56)
Share of associates foreign exchange reserve	**504**	–
Balance at end of the year	**1,810**	(45)
Share-based payments reserve		
Balance at beginning of the year	**10,422**	9,829
Share-based payments expense	**176**	1,000
Transfers within equity	**(520)**	70
Treasury shares vested to employees	**(1,792)**	(477)
Other	**(155)**	–
Balance at end of the year	**8,131**	10,422
Investment revaluation reserve		
Fair value adjustment on financial assets	**19,473**	–
Balance at end of the year	**19,473**	–
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	**(3,198)**	(1,152)
Aquisition of treasury shares	**(331)**	(2,537)
Transfers within equity	**–**	14
Treasury shares vested to employees	**1,792**	477
Balance at end of the year	**(1,737)**	(3,198)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3.7 RESERVES AND ACCUMULATED LOSSES (CONTINUED)

NATURE AND PURPOSE OF RESERVES

ASSET REVALUATION RESERVE

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

FOREIGN CURRENCY TRANSLATION RESERVE

Exchange differences arising on translation of any foreign controlled entities are recognised in other comprehensive income and the foreign currency translation reserve as described in note 6.4.

SHARE-BASED PAYMENTS RESERVE

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

INVESTMENT REVALUATION RESERVE

The investment revaluation reserve is used to recognise the fair value of shares in other entities that are measured at fair value through profit and loss. Refer to note 5.3 for more information.

TRANSACTIONS WITH NON-CONTROLLING INTERESTS RESERVE

The transactions with non-controlling interest reserve is used to record the differences described in note 5.2 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 261,401 (2019: 1,432,933) additional shares in the Company during the year. The number of shares which were issued to employees during the year was 925,558 (2019: 209,520). The total shareholding in the Company as at 31 December 2020 was 1,064,547 shares at an average price of $1.63 (2019: 1,728,704 shares at $1.85). This shareholding is disclosed as treasury shares and deducted from equity.

Performance rights that relate to the 2017 and 2018 TIP have vested and converted into shares; however, they have not been issued and remain in the Trust. Treasury shares for the 2019 TIP have been purchased; however, they have not vested yet and therefore remain in the Trust.

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

ACCUMULATED LOSSES

	2020 $'000	2019 $'000
Balance at beginning of the year	**(946,536)**	(905,894)
Change in accounting policy – lease accounting [(i)]	–	(3,587)
Restated total at beginning of the financial year	**(946,536)**	(909,481)
Loss attributable to owners of the parent entity	**(42,501)**	(14,195)
Transfer from reserves	**520**	(84)
Dividends paid to shareholders	**(12,840)**	(22,776)
Balance at end of the year	**(1,001,357)**	(946,536)

(i) The Group initially applied AASB 16 *Leases* at 1 January 2019. Under the modified retrospective transition method chosen comparative information was not restated

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3.8 DIVIDENDS

	2020 $'000	2019 $'000
Final dividend for the year ended 31 December 2019 of 4.6 cents per share, fully franked, paid on 23 March 2020 (2018: 4.0 cents)	**12,840**	11,424
Paid in cash	**12,840**	11,424
The Directors have determined that no interim dividend will be payable (2019: 4.0 cents)	–	11,352
Paid in cash	–	11,352
Total dividends	**12,840**	22,776
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	**10,072**	21,449
Dividends not recognised at year end		
The Directors have determined that no final dividend will be payable (2019: 4.6 cents)	–	12,891

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. TAXATION

4.1 INCOME TAX AND DEFERRED TAX

(A) INCOME TAX

	2020 $'000	2019 $'000
Current tax expense	13,744	9,482
Provisions for uncertain tax treatments	–	33,000
Deferred tax benefit/(expense)	(2,957)	502
Adjustment for current tax of prior periods	4,991	(3,105)
Income tax expense	15,778	39,879
Income tax expense differs from the prima facie tax as follows:		
Profit before income tax expense	(23,321)	30,029
Prima facie income tax at 30%	(6,996)	9,009
Difference in international tax treatments and rates	429	109
Provisions for uncertain tax treatments	–	33,000
Non-deductible impairment of intangible assets	16,253	–
Non-deductible right-of-use assets impairment	2,128	–
Unrecognised tax losses/(tax losses realised)	524	133
Share of profits of associates	(1,799)	(758)
Adjustment for current tax of prior periods	4,991	(3,105)
Other	248	1,491
Income tax expense	15,778	39,879

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)

4.1 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. The ATO is seeking to apply penalties at the rate of 50% to the years 2009 to 2015.

HT&E has lodged objections with the ATO in 2018 regarding the assessments for the years ended 31 December 2009 to 31 December 2016 inclusive, and objections to the penalties and interest assessments. The ATO is yet to reach a decision on these objections.

In summary, the ATO's position in relation to this matter involves $102.5 million of tax adjustments, plus $49 million of penalties, plus interest which has accrued to 31 December 2020 (and continues to accrue).

While these dispute processes are being completed, HT&E has deposited 50% of the tax in dispute with the ATO, in line with the 50:50 payment arrangement agreed with the ATO. The deposit, totalling $50.7 million, was paid in two instalments in 2018.

Interest consists of $27.5 million applied with the amended assessments and a further $28.3 million interest accrued to 31 December 2020, together totalling $55.8 million. Interest is deductible and claimed as the tax returns are submitted, with $10.6 million of interest expected to be deducted when the 31 December 2020 income tax return is submitted.

If the ATO is wholly successful in the dispute, the ATO should remit 50% of the interest from the date of the tax deposited in 2018. This remission of interest together with the tax deduction would reduce the net interest cost to approximately $29.1 million. If HT&E is wholly successful, the ATO should remit all of the interest accrued. At completion of the dispute, any remitted interest already deducted would be treated as assessable income and taxed in that future year.

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 AND LOAN FORGIVENESS

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 related to the Company's former New Zealand operations. This matter was settled with the ATO in November 2020 for an amount of $3.2 million. A provision of $3.0 million was previously made in 2019 for this matter.

A second matter involved a loan forgiveness that occurred in 2012. The ATO has issued an Initial Position Paper, indicating that it would apply the market value substitution rules to the loan forgiveness, with the tax adjustment being $5.8 million. Interest would also apply on any tax assessed. The ATO may also seek to impose penalties in respect of the taxes in dispute. HT&E disagrees with the position taken and is satisfied its treatment is consistent with relevant taxation legislation.

As at the date of this report, while there is no certainty, no further adjustments or disputes are anticipated to 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 provision of $30.0 million has been recorded in respect of the New Zealand branch matter against the Deposit of Tax in Dispute, in line with the requirements of AASB Interpretation 23. This figure is unchanged from 31 December 2019 and is an estimate involving judgement of the probability-weighted amounts and may not reflect the final outcome.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4.1 INCOME TAX AND DEFERRED TAX (CONTINUED)

A $3.9 million non-current asset consists of the $50.7 million deposit of tax in dispute, reduced by the $30 million provision and further reduced by $16.7 million for the value of tax deductions on interest to 31 December 2020. If HT&E is wholly successful, the $30 million provision and tax deductions on interest would reverse.

In respect of the loan forgiveness matter, no tax provision has been recorded under AASB Interpretation 23.

CAPITAL LOSSES

Based on the tax return submitted for the year ended 31 December 2019, the Company has capital losses of $80.6 million (pre-tax). Assuming various rules are met, these capital losses should be available to shelter future capital gains. No deferred tax asset is recorded for these capital losses as they may only be utilised in the event of capital gains and cannot be applied against revenue income.

ACCOUNTING POLICY

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(B) DEFERRED TAX ASSETS AND LIABILITIES

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	–	1,262	(4,582)	(3,025)	**(6,345)**
Lease liabilities	–	(567)	5,529	3,025	**7,987**
Shares in other corporations	(6,414)	(1,916)	–	–	**(8,330)**
Other	2,525	(1,176)	(113)	–	**1,236**
	(109,974)	502	834	–	**(108,638)**

2020	Balance 1 Jan 20 $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Other movements $'000	Balance 31 Dec 20 $'000
Employee benefits	1,805	(217)	–	–	**1,588**
Doubtful debts	165	(15)	–	–	**150**
Accruals/restructuring	3,443	(1,185)	–	–	**2,258**
Intangible assets	(108,765)	(1,469)	–	–	**(110,234)**
Depreciation	166	(216)	–	–	**(50)**
Right-of-use assets	(6,345)	880	–	–	**(5,465)**
Lease liabilities	7,987	(774)	–	–	**7,213**
Investments accounted for using the equity method	–	1,276	–	(8,330)	**(7,054)**
Shares in other corporations	(8,330)	–	(8,344)	8,330	**(8,344)**
Other	1,236	(1,237)	(19)	–	**(20)**
	(108,638)	(2,957)	(8,363)	–	**(119,958)**

The Group has not recognised deferred tax assets of $5.6 million (2019: $4.1 million) in respect of HK Outdoor tax losses carried forward.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4.1 INCOME TAX AND DEFERRED TAX (CONTINUED)

ACCOUNTING POLICY

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

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

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

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

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

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

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

The Company and its wholly-owned Australian controlled entities are part of a tax-consolidated group under Australian taxation law. HT&E Limited is the head entity in the tax-consolidated group. Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, HT&E Limited and each of the 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)

5. GROUP STRUCTURE

5.1 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 6.4.

Name of entity	Country of incorporation/ establishment	Equity holding 2020 %	Equity holding 2019 %
5AD Broadcasting Company Pty Ltd[1]	Australia	**100**	100
Actraint No. 116 Pty. Limited[1,3]	Australia	**–**	100
Airplay Media Services Pty. Limited[1,3]	Australia	**–**	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[1,3]	Australia	**–**	100
ARNSAT Pty Limited[1,3]	Australia	**–**	100
Australian Outdoor Pty Limited[1,2,3]	Australia	**–**	100
Australian Radio Network Pty Limited[1,2]	Australia	**100**	100
Australian Radio Network Sales Pty Ltd[1,3]	Australia	**–**	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 (Hong Kong) Limited	Hong Kong	**100**	100
C.R. Phillips Investments Pty Ltd[1,3]	Australia	**–**	100
Capital City Broadcasters Pty. Limited[1]	Australia	**100**	100
Cardcorp (Manufacturing) Pty. Limited[3]	Australia	**–**	100
Catalogue Central Pty Limited[1]	Australia	**100**	100
Central Coast Broadcasting Pty.[1,3]	Australia	**–**	100
Citysites Outdoor Advertising (Albert) Pty. Ltd.[1,3]	Australia	**–**	100
Citysites Outdoor Advertising (S. Aust.) Pty. Ltd.[1,3]	Australia	**–**	100
Citysites Outdoor Advertising (W Aust) Pty Ltd[1,3]	Australia	**–**	100
Citysites Outdoor Advertising Pty. Ltd.[1,3]	Australia	**–**	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.1 CONTROLLED ENTITIES (CONTINUED)

Name of entity	Country of incorporation/ establishment	Equity holding 2020 %	Equity holding 2019 %
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[3]	Australia	**–**	50
Gergdaam Capital Pty Limited[1,2]	Australia	**100**	100
Gulgong Pty. Limited[1,2]	Australia	**100**	100
Haswell Pty. Limited[1,2]	Australia	**100**	100
HT&E Braeside Pty Ltd[3]	Australia	**–**	100
HT&E Broadcasting (Regionals) Pty. [1,2]	Australia	**100**	100
HT&E Broadcasting Investments Pty Ltd[1,3]	Australia	**–**	100
HT&E Business Magazines Pty Ltd[1,3]	Australia	**–**	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[3]	Australia	**–**	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[1,3]	Australia	**–**	100
KAFM Broadcasters Proprietary Limited[1,3]	Australia	**–**	100
Level 3 Investments Pty Limited[1]	Australia	**100**	100
Level 4 Investments Pty Limited[1,3]	Australia	**–**	100
Lunchbox Investments Pty Ltd[3]	Australia	**–**	100
Media Tek Pty. Limited[1,2,3]	Australia	**–**	100
Melbourne F.M. Facilities Pty. Limited	Australia	**50**	50
Nathco Holdings Pty. Ltd.[1,2,3]	Australia	**–**	100
Perth Sign Company Pty Ltd[1,3]	Australia	**–**	100
Phillips Finance Pty Ltd[1,3]	Australia	**–**	100
Phillips Neon Pty Ltd[1,3]	Australia	**–**	100
Provincial Investments Pty. Ltd.[1,3]	Australia	**–**	100
Radio 96FM Perth Pty Limited[1]	Australia	**100**	100
RadioWise Pty Ltd[1,3]	Australia	**–**	100
Regmax Pty Limited[1,3]	Australia	**–**	100
Shelter Advertising Pty Ltd[1,3]	Australia	**–**	100
Southern State Broadcasters Pty. Limited[1]	Australia	**100**	100
Speedlink Services Pty Ltd[1]	Australia	**100**	100
Street Furniture (NSW) Pty Ltd[1,3]	Australia	**–**	100
SunCoastal F.M. Radio Pty. Ltd.[1,3]	Australia	**–**	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.[1,3]	Australia	**–**	100
Urban Design Furniture Pty. Ltd.[1,3]	Australia	**–**	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Name of entity	Country of incorporation/ establishment	Equity holding 2020 %	Equity holding 2019 %
Wesgo[1,2]	Australia	**100**	100
West Sydney Radio Pty Ltd[1,3]	Australia	**–**	100
Westat Research Pty Ltd[1,3]	Australia	**–**	100
Wilson & Horton Australia Pty Ltd[1]	Australia	**100**	100
Wilson & Horton Finance Pty Ltd[1,2]	Australia	**100**	100

(1) These companies are parties to a deed of cross guarantee dated 28 April 2017 under which each company guarantees the debts of the others (Deed of Cross Guarantee). These companies represent a Closed Group for the purposes of *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)

5.2 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		Ownership interest held by non-controlling interests		Principal activities
		2020	2019	2020	2019	
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	
	2020 $'000	2019 $'000
Summarised balance sheet		
Current assets	**10,493**	4,687
Current liabilities	**2,287**	2,706
Current net assets	**8,206**	1,981
Non-current assets	**67,474**	67,464
Non-current liabilities	**46**	44
Non-current net assets	**67,428**	67,420
Net assets	**75,634**	69,401
Accumulated non-controlling interests	**37,817**	34,700
Summarised statement of comprehensive income		
Revenue	**20,465**	25,316
Profit for the period	**6,235**	8,390
Other comprehensive income	**–**	–
Total comprehensive income	**6,235**	8,390
Total comprehensive income allocated to non-controlling interests	**3,118**	4,195
Dividends paid to non-controlling interests	**–**	4,100
Summarised statement of cash flows		
Net inflows from operating activities	**8,867**	8,434
Net outflows from investing activities	**(14)**	(27)
Net outflows from financing activities	**(8,837)**	(8,930)
Net (decrease)/increase in cash and cash equivalents	**16**	(523)

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)

5.3 SHARES IN OTHER CORPORATIONS

	Note	2020 $'000	2019 $'000
Shares in other corporations	3.4	**46,583**	37,346

The Group purchased shares in oOh!media Limited (OML) and designated the investment as fair value through other comprehensive income. The shares are not held for sale. The investment in OML was revalued to $45.9 million as at 31 December 2020, with a $19.5 million fair value gain net of tax, recognised in other comprehensive income. Refer to note 3.4 for more information on determining the fair value.

The Group's historical investment in Nova 93.7 became an associate on 1 March 2020. Refer to note 5.4 for further details.

The remaining level 3 investments are not material to the Group.

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 3.3(B)) 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 3.3(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 3.4. At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to recognise gains and losses on equity instruments not held for trading, in other comprehensive income. Otherwise, all gains and losses are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.4 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

INTERESTS IN ASSOCIATES

	Note	2020 $'000	2019 $'000
Shares in associate and joint ventures		**51,320**	17,314
Total investments accounted for using the equity method		**51,320**	17,314
Share of profits of associate and joint ventures	1.3	**5,998**	2,527

(1) Share of profits from joint ventures, included HT&E Events Pty Limited and Unbnd Group Pty Ltd, which were disposed in late 2019. The current year result includes Nova Entertainment (Perth) Pty Ltd, from 1 March 2020.

Set out below are the associate and joint ventures of the Group as at 31 December 2020. 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 2020	Ownership interest 2019	Nature of relationship	Measurement method	Consolidated carrying values 2020 $'000	Consolidated carrying values 2019 $'000
Soprano Design Pty Limited	Australia	**25%**	25%	Associate[1]	Equity method	**19,829**	17,314
Nova Entertainment (Perth) Pty Ltd	Australia	**50%**	50%	Associate[2]	Equity method	**31,491**	–

(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) On 1 March 2020, Nova Entertainment (Perth) Pty Ltd, an FM radio station in Perth, became an associate of the Group. The Group's interest in the entity was previously classified as an equity investment within Shares in Other Corporations

Below is a reconciliation of investments accounted for using the equity method:

	2020 $'000	2019 $'000
Carrying amount at the beginning of the financial year	**17,314**	18,829
Share of profit	**5,998**	2,527
Share of reserves	**504**	–
Dividend paid	**(1,250)**	–
Reclassification of associate from financial asset	**35,959**	–
Disposal	**–**	(4,320)
Impairment	**(4,394)**	–
Other	**(2,811)**	278
Total investments accounted for using the equity method	**51,320**	17,314

ASSOCIATE INTEREST IN NOVA 93.7FM

The Group holds a 50% interest in Nova Entertainment (Perth) Pty Ltd (Nova 93.7FM), which was established in 2002. This investment in Nova 93.7FM has historically been held as a financial asset with fair value remeasurements through profit or loss (refer to note 5.3).

During the period, management revisited the judgements and assumptions related to Nova 93.7FM and concluded that there had been a change in circumstances such that the Group now had significant influence over Nova 93.7FM and that the entity was an associate, effective from 1 March 2020. The Group's current level of oversight and interest in Nova 93.7FM, subsequent to recent structural and organisational changes, has contributed to the change in circumstances.

Initial recognition of an associate is at cost. As an accounting policy, the Group has elected to use fair value as the deemed cost at 1 March 2020, the date Nova 93.7FM became an associate. The fair value, or deemed cost, of the associate at 1 March 2020 was $35,959,000. This amount was reclassed out of Shares in Other Corporations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.4 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(A) IMPAIRMENT TEST OF INVESTMENT IN NOVA 93.7FM

For the period ending June 2020, there were indications that the carrying amount of the Group's investment in Nova 93.7FM may exceed its recoverable amount, so an impairment test was performed. As a result of the testing performed, an impairment charge of $4,394,000 was recognised in the period. Management have performed an impairment test as at 31 December 2020, which has indicated no further impairment loss should be recognised.

The recoverable amount of Nova 93.7FM was estimated based on a value in use calculation, using management budgets and forecasts for a 5 year period.

The cash flow assumptions are based on:

- revenue forecasts, which consider internal information and relevant external industry data and analysis which include:
  - market growth across the cash flow period. The revenue forecast assumes the Australian Radio market will return to historical 2019 within the forecast period, and Nova 93.7FM will maintain market share or reclaim lost market share through continued investment in content, marketing and operations.
- expense forecasts, which are prepared 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.
- growth rates for cash flows beyond 5 years, which are extrapolated at rates not exceeding the long-term average growth rate for the industry in which Nova 93.7FM operates.

(B) ESTIMATION UNCERTAINTY AND KEY ASSUMPTIONS

At 31 December 2020 the carrying value of the Group's investment in Nova 93.7FM equalled its value in use calculation. The impairment calculation is therefore sensitive to changes in certain key assumptions, with any negative change giving rise to a further impairment charge.

The below illustrates how a reasonable possible change in estimate and assumptions can impact headroom. The headroom for the Group's investment in Nova 97.3FM would change by the following based on changes made in isolation to the key assumptions below:

	Discount Rate change		Long-term growth rate change		Terminal EBITDA forecast change	
In $'000s	**+0.5%**	**-0.5%**	**+0.5%**	**-0.5%**	**+1%**	**-1%**
Nova 97.3FM	(2,036)	2,308	1,714	(1,513)	264	(264)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (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)

5.5 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:

	2020 $'000	2019 $'000
Balance sheet		
Current assets	**3,848**	3,614
Total assets	**1,392,925**	1,414,651
Current liabilities	**–**	3,006
Total liabilities	**930,612**	795,907
Total equity	**462,313**	618,744
Contributed equity	**1,480,752**	1,483,685
Reserves		
Share-based payments reserve	**27,604**	10,423
Retained earnings		
Opening profit reserve	**35,434**	58,252
Dividends paid to shareholders	**(12,891)**	(22,818)
Closing profit reserve	**22,543**	35,434
Brought forward loss reserve	**(910,798)**	(720,499)
Loss for the year	**(157,788)**	(190,299)
Closing loss reserve	**(1,068,586)**	(910,798)
Total equity	**462,313**	618,744
(Loss)/profit for the year	**(157,788)**	(190,299)
Total comprehensive income	**(157,788)**	(190,299)

(B) GUARANTEES ENTERED INTO BY THE PARENT ENTITY

Refer to note 6.1 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 2020 or 31 December 2019.

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)

5.6 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 2020 for the Closed Group:

	2020 $'000	2019 $'000
Revenue	**146,898**	188,274
Other revenue and income	**30,562**	36,562
Expenses from operations before impairment, finance costs, depreciation and amortisation	**(128,975)**	(172,388)
Impairment of Group company investments	**(19,237)**	(5,423)
Goodwill and associate impairment	**(55,888)**	–
Finance costs	**(3,069)**	(10,464)
Depreciation and amortisation	**(6,256)**	(6,824)
Share of profits of associate and joint ventures	**5,998**	2,527
Profit/(loss) before income tax	**(29,967)**	32,264
Income tax expense	**(14,226)**	(38,755)
Loss attributable to owners of the parent entity	**(44,193)**	(6,491)
Accumulated losses		
Balance at beginning of the year	**(1,062,058)**	(1,030,485)
Change in accounting policy – lease accounting	**–**	(2,222)
Restated total at beginning of the financial year	**(1,062,058)**	(1,032,707)
Loss attributable to owners of the parent entity	**(44,193)**	(6,491)
Dividends paid to shareholders	**(12,840)**	(22,776)
Transfers between reserves	**520**	(84)
Balance at end of the year	**(1,118,571)**	(1,062,058)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.6 DEED OF CROSS GUARANTEE (CONTINUED)

Set out below is the consolidated balance sheet as at 31 December 2020 for the Closed Group:

	2020 $'000	2019 $'000
Current assets		
Cash and cash equivalents	**61,023**	107,218
Short-term deposits	**50,000**	–
Receivables	**142,084**	139,056
Tax assets	**3,575**	3,300
Other current assets	**2,554**	2,389
Total current assets	**259,236**	251,963
Non-current assets		
Other financial assets	**227,599**	237,681
Investments accounted for using the equity method	**51,320**	17,314
Property, plant and equipment	**17,158**	20,125
Right-of-use assets	**18,152**	20,901
Intangible assets	**297,181**	347,640
Deposit of tax in dispute, net of provision	**3,930**	20,670
Other non-current assets	**1,762**	2,616
Total non-current assets	**617,102**	666,947
Total assets	**876,338**	918,910
Current liabilities		
Payables	**158,511**	161,793
Contract liabilities	**1,389**	1,144
Lease liabilities	**3,164**	2,648
Provisions	**4,454**	12,315
Total current liabilities	**167,518**	177,900
Non-current liabilities		
Lease liabilities	**20,795**	23,579
Provisions	**4,456**	4,850
Deferred tax liabilities	**120,123**	108,752
Total non-current liabilities	**145,374**	137,181
Total liabilities	**312,892**	315,081
Net assets	**563,446**	603,829
Equity		
Contributed equity	**1,480,752**	1,483,685
Reserves	**201,265**	182,202
Accumulated losses	**(1,118,571)**	(1,062,058)
Total parent entity interest	**563,446**	603,829
Total equity	**563,446**	603,829

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. OTHER

6.1 CONTINGENT LIABILITIES

The parent entity and all wholly-owned controlled entities have provided guarantees in respect of banking facilities. As at 31 December 2020, the facilities had been drawn to the extent of $6.3 million (2019: $9.1 million), of which $3.3 million of the 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 financial guarantee remained undrawn upon expiry on 30 October 2020 leaving the Group with $nil exposure as at 31 December 2020 (2019: $4,897,000). The amount was previously presented on the balance sheet as a provision (refer to note 2.4).

The Group did not have any other contingent liabilities and contractual commitments as at 31 December 2020 or 31 December 2019.

CLAIMS

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

6.2 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:

	2020 $'000	2019 $'000
Remuneration for audit or review of the financial reports		
PricewaterhouseCoopers – Australian firm	**803**	998
PricewaterhouseCoopers – overseas firm	**86**	83
Remuneration for other assurance services		
PricewaterhouseCoopers – Australian firm	**42**	42
PricewaterhouseCoopers – overseas firm	**8**	8
Total audit and other assurance services	**939**	1,131
Remuneration for other services		
PricewaterhouseCoopers – Australian firm		
Tax services		
Consulting and advice	**237**	382
Compliance	**139**	165
Other services	**–**	2
PricewaterhouseCoopers – overseas firm		
Tax services		
Compliance	**23**	29
Total non-audit services	**399**	578

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.3 RELATED PARTIES

(A) KEY MANAGEMENT PERSONNEL COMPENSATION

	2020 $	2019 $
Short-term employee benefits	**2,019,964**	3,332,309
Post-employment benefits	**90,526**	172,655
Other long-term benefits	**40,813**	63,287
Termination benefits	**–**	2,237,201
Share-based payments	**141,197**	834,522
	2,292,500	6,639,974

Detailed remuneration disclosures are provided in the Remuneration Report.

(B) TRANSACTIONS WITH OTHER RELATED PARTIES

The aggregate amounts recognised in respect to the following types of transactions and each class of related party involved were as follows;

Type of transaction	Class of other related party	2020 $	2019 $
Director fee with associate	Key management personnel (i)	**400,000**	–
Director fee with associate	Key management personnel (ii)	**18,750**	–

(i) Directors fees received from Soprano Design Pty Limited by HT&E for services performed by Ciaran Davis and Jeff Howard

(ii) Directors fee received from Soprano Design Pty Limited by Belinda Rowe for services performed

(C) PAYABLES WITH OTHER RELATED PARTIES

There was $nil payable to related parties as at 31 December 2020 (2019: $nil).

(D) LOANS TO RELATED PARTIES

There was $7.4 million in loans owing to related parties as at 31 December 2020. This relates to Nova Entertainment (Perth) Pty Ltd, which became an associate on 1 March 2020. The Group had loans amounting to $3.8 million with Nova Entertainment (Perth) Pty Ltd as at 31 December 2019.

(E) COMMITMENTS WITH OTHER RELATED PARTIES

There was $nil commitment to related parties as at 31 December 2020 (2019: $nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.4 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)

6.4 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.

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has applied AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework* for the first time for the reporting period commencing 1 January 2020. The Group has assessed that there is no material impact on the Group in the current period or prior periods.

STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE.

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

6.5 SUBSEQUENT EVENTS

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 101 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 2020 and of its performance for the financial year ended on that date; and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 5.1 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 5.6.

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
Chairman

Sydney
24 February 2021

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 2020 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 2020
- 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 significant accounting policies and other explanatory information
- 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 & 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.

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.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Materiality

- For the purpose of our audit we used overall Group materiality of $2,120,000, which represents approximately 5% of the Group's profit before tax adjusted for impairment of intangible assets, investments and right of use assets.
- 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 because in our view, it is an important financial statement metric used in assessing the performance of the Group. We adjusted this benchmark for impairment of intangible assets, investments and right of use assets 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") of Cody Outdoor International (HK), Soprano Design Limited, Nova Entertainment (Perth) Pty Limited and Group Financial Services shared service centre 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 meetings and written instructions where appropriate.

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Taxation of New Zealand branch royalty income (Refer to note 4) In 2018, 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 interest which has accrued to 31 December 2020 (and continues to accrue). In that regard a deposit of $50.7m was paid to the ATO in 2018. Interest consists of $27.5 million applied with the amended assessments and a further $28.3 million interest accrued to 31 December 2020, together totalling $55.8 million. If the ATO is wholly successful in the dispute, the ATO should remit 50% of the interest from the date of the tax deposited in 2018. This remission of interest together with the tax deduction would reduce the net interest cost to approximately $29.1 million. 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 provision of $30.0 million was recorded in respect of the New Zealand branch matter in the prior year against the Deposit of Tax in Dispute, in line with the requirements of AASB Interpretation 23. A $3.9 million deposit of tax in dispute, net of provision disclosed on the consolidated balance sheet consists of the $50.7 million deposit of tax in dispute, reduced by the $30 million provision and further reduced by the $16.7 million for the value of tax deductions on interest to 31 December 2020.	Our audit procedures included: • developed an understanding of and assessed the design of the key controls associated with the New Zealand branch tax matter and estimate of the provision recognised • 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 reasonableness 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
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.	
Impairment of intangible assets (Refer to note 2.1) Due to the economic impacts associated with COVID-19 during the year, comprehensive impairment assessments were conducted by the Group at 30 June 2020. As a result, the Group impaired goodwill of $51.5 million and $2.7 million for the Australian Radio Network (ARN) cash generating unit (CGU) and HK Outdoor CGU respectively. The impairments recorded in Australian Radio Network and HK Outdoor CGU's are the result of the financial underperformance of each business relative to the original forecast during the six months ended 30 June 2020, and a downward revision to forecast future cashflows in the short to medium term in response to uncertainty in advertising markets created by COVID-19. At 31 December 2020, 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: • A significant impairment charge was recorded during the year • the $367.5m non amortising intangible assets as at 31 December 2020 are material • significant judgement is required by the Group in performing the impairment assessment, particularly in estimating: o forecasted future results of the business o long term 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, for the impairment assessments performed by the Group during the year: • developed an understanding of and assessed the design of the key controls associated with the identification of impairment indicators and the preparation of the discounted cash flow models used to assess the recoverable amount of the Group's CGUs • 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 assessments 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 for revenue forecasts and long-term growth rates used in the CGU's cash flow forecasts to independent industry forecasts and historical growth rates • compared the market capitalisation of the Group in comparison to the carrying value of its net assets and adjusted equity value • tested the mathematical accuracy of the impairment assessment • evaluated the reasonableness of the disclosures made in note 2.1, 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 2020, 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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.

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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 30 to 44 of the directors' report for the year ended 31 December 2020.

In our opinion, the remuneration report of HT&E Limited for the year ended 31 December 2020 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 2021

SHAREHOLDER INFORMATION

1. SHARES

(A) SUBSTANTIAL SHAREHOLDERS

The following information is extracted from substantial shareholder notices received by the Company as at 17 February 2021:

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
Perpetual Limited and its related bodies corporate	37,115,083
Spheria Asset Management Pty Ltd	28,235,310
Commonwealth Bank of Australia and its related bodies corporate	17,439,039
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 17 February 2021:

Name	Number of shares	% of total shares
HSBC Custody Nominees (Australia) Limited	96,778,442	34.8%
Citicorp Nominees Pty Limited	69,040,731	24.8%
News Pty Limited	41,303,132	14.8%
J P Morgan Nominees Australia Pty Limited	32,404,568	11.7%
National Nominees Limited	14,494,715	5.2%
BNP Paribas Nominees Pty Ltd	3,451,203	1.2%
BNP Paribas Noms Pty Ltd	3,300,308	1.2%
Citicorp Nominees Pty Limited – Colonial First State Inv a/c	1,727,000	0.6%
Pacific Custodians Pty Limited - HT1 Plans Ctrl a/c	1,240,940	0.4%
Pacific Custodians Pty Limited - APN Emp Share Tst a/c	960,628	0.4%
BNP Paribas Nominees Pty Ltd IOOF INSMT Mgmt Ltd DRP	350,000	0.1%
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	327,400	0.1%
EGREMNI Pty Ltd	212,255	0.1%
Mr Vincent Crowley	185,305	0.1%
Montorio Superannuation Nominees Pty Ltd	174,203	0.1%
S M & R W Brown Pty Ltd	165,140	0.1%
Buttonwood Nominees Pty Ltd	157,386	0.1%
Warrill Nominees Pty Ltd	153,104	0.1%
Bellino Pty Ltd	150,000	0.1%
Yvette Lamont	140,889	0.1%
Total	**266,717,349**	**95.9%**

SHAREHOLDER INFORMATION (CONTINUED)

(C) ANALYSIS OF INDIVIDUAL ORDINARY SHAREHOLDINGS AS AT 17 FEBRUARY 2021:

Holding	Number of shareholders	% of total shareholders	Number of shares	% of total shares
1 to 1,000	3,996	73.96	1,011,048	0.36
1,001 to 5,000	948	17.55	2,196,421	0.79
5,001 to 10,000	221	4.09	1,612,717	0.58
10,001 to 100,000	212	3.92	5,900,008	2.12
100,001 and over	26	0.48	267,476,073	96.15
Total	5,403	100.00	278,196,267	100.00

There were 2,380 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. UNQUOTED SECURITIES

There were no performance rights on issue at 31 December 2020 (2019: 200,965)

3. DIRECTORS' INTERESTS

The relevant interest of each Director in the securities of the parent entity as at 17 February 2021 was:

Director	Number of shares	Number of options
H McLennan	73,000	–
R Amos	16,250	–
P Connolly	65,935	–
C Davis	560,662	–
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 2020.

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 2020 Annual Report 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
SYDNEY NSW 2113
Telephone: +61 2 8899 9900

Share Registry

Link Market Services Limited
Level 12, 680 George Street
SYDNEY NSW 2000
Locked Bag A14
SYDNEY SOUTH NSW 1235

Telephone: +61 1300 553 550
Fax: +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 2021 Annual General Meeting (AGM) of HT&E Limited will be held on Thursday 6 May 2021 commencing at 9:00am.

Given COVID-19, the Company has determined not to allow Shareholders to physically attend the AGM. Prior to the AGM, the Company will publish a virtual meeting guide on the ASX and the Company's website at https://investorcentre.htande.com.au outlining how Shareholders will be able to participate via the internet.

MIX
Paper from responsible sources
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FSC www.fsc.org

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