ANNUAL REPORT
2019

SCA

YEAR IN REVIEW

SCA's results in FY2019 highlight the quality of its core Audio assets in the eyes of consumers and advertisers and the benefits of SCA's disciplined approach to management of costs and cash flow.

	FY2019	Comparison to FY2018	
Revenue	$660.1m	$656.8m	0.5%
EBITDA	$147.4m	$158.4m	(6.9%)
Underlying EBITDA	$159.9m	$158.4m	0.9%
Reported NPAT	($91.3m)	$0.1m	nm
Underlying NPAT	$76.2m	$73.9m	3.1%
Net Debt	$292.6m	$303.9m	(3.7%)
Full year dividends	7.75 cents	7.75 cents	No change

In metro markets, SCA's Hit and Triple M brands performed consistently in FM and digital radio audience surveys. The metro sales teams delivered an increase of 4.1% in Audio revenue, while the broader radio market declined by 0.5%. Regional radio revenue grew by 1.5%, boosted by the Boomtown initiative. In both cases, these results were driven by strong growth in national revenues, which were up by 9.2% on the prior year.

Aggregating SCA's FM and digital radio reach in metro markets offers advertisers a unique, simple and scaled value proposition and has reaped rewards. When brands choose to advertise on a Hit or Triple M station, their advertisements are broadcast in the same day-part on five radio stations in the same location, significantly extending their commercial impact.

PodcastOne Australia consolidated its position as the leading premium commercial podcast business in Australia, attracting a blue chip group of corporate sponsors. This division is expected to reach cash flow breakeven in the second half of the new financial year.

SCA's Television business outperformed the market, delivering a power ratio – which measures the conversion of ratings to revenue – of 1.05 in the four east coast aggregated markets.

In the year ahead, SCA will continue to invest sensibly in 'front-of-house' activities: creating compelling content and using its audio assets to help its advertising partners succeed. This will include optimising the value of its current radio and podcasting brands, as well as developing new audio products that meet the increasing consumer demand for mobile, personalised, on-demand audio content. This will be complemented by a focus on operational excellence in the 'back of house' functions, including implementing the recently announced outsourcing of SCA's television playout and broadcast transmission functions.

Contents

YEAR IN REVIEW

10mil

Reaching over 10m Australians every week across its Television, Radio and Digital networks

86

86 FM & Digital Radio Stations
7.5 Million National Reach

4.8mil

4.8 Million Hit network listeners nationally each week
46 FM & Digital Stations

3.9mil

3.9 Million Triple M network listeners nationally each week
40 AM & FM & Digital Stations

4.4mil

Regional Television networks
4.4m viewers per week

92

92 free-to-air television signals

No. 1

Australia's leading commercial podcast network

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present Southern Cross Austereo's Annual Report for the 2019 financial year.

Group revenue of $660.1 million was 0.5% up on the prior year. Group EBITDA of $147.4 million was down 6.9% on the prior year, reduced by $12.5 million of significant items and restructuring costs. Underlying net profit after tax was $76.2 million, which was 3.1% higher than the prior year.

Net debt reduced during the year from $303.9 million to $292.6 million. SCA is comfortably within its debt covenants and has a robust balance sheet allowing flexibility and opportunities for future growth.

The Board was pleased to maintain fully franked dividends of 7.75 cents per share, in line with the prior year.

Following the accounting separation of SCA's regional radio and television assets, an impairment charge of $226.9 million was recognised against the Group's regional television licences. This was offset by an adjustment of $68.1 million to the Group's deferred tax liability. Apart from this impairment charge, the other significant item at the year-end was the fair value loss of $9.2 million recorded on the assets held at the end of the financial year for resale to Broadcast Australia. This sale, and outsourcing of SCA's broadcast transmission functions, was announced in early August.

In challenging advertising markets, SCA delivered a credible result with healthy revenue shares in all markets along with strong cost controls.

SCA's audio assets performed well during the year. Up to the most recent Metro radio survey in July 2019, SCA's national brand reach was over 7.5 million across 76 analogue stations and eight digital radio stations in 38 markets. On FM radio, the national Drive shows launched in 2018 – Kennedy Molloy on the Triple M Network and the combination of Carrie & Tommy with Hughesy & Kate on the Hit Network – consolidated their audiences and reached number 1 in several market surveys. Moonman in the Mornings has made a solid start as Triple M's new Sydney Breakfast show, while Fifi, Fev & Byron continued their reign in Breakfast for The Fox in Melbourne.

SCA's unique strategy for aggregating its FM and digital radio station audiences in metro markets is providing additional value for advertisers and a sustainable competitive advantage over commercial radio peers. The most recent Metro radio survey in July 2019 showed that SCA's digital radio stations had 316,000 digital only listeners, providing advertisers with a greater aggregate reach of 6.3% across the Triple M and Hit Networks.

CHAIRMAN'S STATEMENT

As audiences increasingly seek out personalised on-demand audio experiences, SCA has strengthened its investment in smart audio consumed through Internet-enabled devices, such as smartphones and smart speakers. Each week, SCA delivers 106 live digital radio streams, 200 organic and 140 catch-up show podcasts and 900 minutes of bespoke news services for smart speakers.

PodcastOne Australia has expanded beyond its market-leading library of Australian original podcast series to offer branded podcasts, helping companies to better interact and engage with key stakeholders including their employees and customers. Through the industry owned RadioApp, all of SCA's FM and digital radio stations are available on Amazon Alexa-enabled devices (including Sonos speakers) and will soon be available on Google Home.

In contrast to audio, the regional television model remains challenged; however SCA outpaced the market. Advertising revenue in the total regional television market declined by 5.3% compared to the prior year. This total market decline was partly offset by strong sales performance in all markets by SCA. Our national television revenue was slightly up, to $108.1 million, and our sales teams delivered a power ratio of 1.05 in the four aggregated east coast markets.

Regional television broadcasters face competition for audience and advertisers from subscription video-on-demand (SVOD) platforms, such as Netflix and Stan, as well as other online platforms like YouTube and Facebook. Increasingly, competition is also coming from the metropolitan television networks that provide their live programming on-demand and for catch-up in regional markets. The networks have also increased product placement and other in-program integrations, reducing the incentive for program sponsors to buy advertising from regional broadcasters.

Against this backdrop, SCA continues to operate its television assets effectively. Through the Boomtown campaign and other initiatives, the sales and marketing teams have successfully promoted the benefits for national advertisers to invest in regional media. SCA has also continued its strategy of divesting non-core assets and activities. In the most recent 12 months, this has included the outsourcing to NPC Media of television playout services and the outsourcing of broadcast transmission services to Broadcast Australia, creating a more streamlined and efficient service and minimising cost in the delivery of broadcast television to SCA's television licence areas.

The media law reforms introduced in 2017, while welcome, were long overdue and there is more work to be done. Broadcasting legislation constrains the operating model for regional broadcasters to compete in the Internet era, and there are significant disparities in regulation of content and advertising on broadcast platforms compared to online platforms. The ACCC's final report on the Digital Platforms Inquiry has recommended that the Government should address these regulatory disparities. SCA looks forward to the Government acting promptly to implement the ACCC's recommendations.

I would like to thank my Board colleagues for their commitment and guidance during the year. On a personal note, I was also appreciative of their support during my medical leave of absence this year. The Board continued to function effectively during that time under the leadership of our Deputy Chair, Leon Pasternak, working closely with our senior executive team. While there were no changes in the Board's composition this year, Leon will leave the Board in the next two years and the Board is focused on the task of succession to ensure we maintain a suitable mix of skills to guide and support SCA's future.

On behalf of the Board, I thank SCA's passionate and committed people who continue to drive the Group's success. I look forward to working with the Board and management team in the year ahead to deliver positive returns for SCA's audiences, advertisers, communities and shareholders.

PETER BUSH
Chairman

CEO'S REPORT

SCA takes great pride in our strategic vision and agility. We recently refreshed our winning aspiration to be 'Proudly National, Fiercely Local'. This clearly states what differentiates SCA from other Australian media businesses.

SCA has Australia's largest radio network, with 76 analogue radio stations and eight capital city digital radio brands operating under the Hit and Triple M families. PodcastOne Australia is the leading, premium, commercial podcast network in Australia, now boasting 65 contracted premium podcast creators producing unique, original content. SCA also broadcasts 105 television signals into regional and rural Australia. These national assets are supported by sales and content teams around Australia, all highly engaged and inextricably linked with their local communities.

Under the national operating model introduced from 1 July 2018, our core business functions of Operations, Content, Sales, Finance and Corporate Affairs, and Technology, are aligned nationwide. This has streamlined processes, communication flow and decision making so that our offices around the country are supported to deliver consistent, high quality services to our people, audiences, advertisers and communities. A significant change has been the restructuring of our Content team to align with our strategy to create a national focus on entertainment, music, news and marketing for the Hit and Triple M networks. This has formed a more disciplined, effective and forward-looking group of executives, targeting even stronger content outcomes. While the position of Chief Content Officer remains vacant, the Content team has reported directly to me as we define the skills and experience required to lead our creation of compelling content into the future.

Turning to the future, SCA is positioning itself to take advantage of key consumer trends in media and audio entertainment. The trends towards mobile, personalised and on-demand audio content are continuing apace, and smart speakers and connected cars are adding new layers of complexity and opportunity. The global technology platforms – including Amazon, Google, and Apple – have emerged as key players and partners in this new ecosystem and, in some cases, as competitors. With the Board's support, our senior leadership team undertook a detailed review of these trends and has confirmed and refreshed the four pillars of SCA's corporate strategy:

CEO'S REPORT

CREATE COMPELLING CONTENT:

There is an ever-growing range of content available to our audiences, through broadcast and online platforms, both locally and internationally. For SCA to prosper, our own content needs to be the most compelling. For radio audiences, that means we need to provide music, entertainment, information and news that our audiences want to hear and seek out, all with an emphasis on what's going on in their local communities. For our podcast audiences, we need to deliver unique and original content that entertains, engages and informs them.

DELIVER IMPROVED AUDIO EXPERIENCES:

The 'live and local' strengths of radio continue to make it the most popular way for audiences to consume audio content, and the car remains one of the most popular places for people to listen to radio. The devices on which people listen, however, are changing. Smartphones, connected cars and smart speakers are growing in importance, both for live radio and for on-demand listening. SCA continues to improve the functionality of our apps, with signed-in users increasing by 56% to 416,000 during the year. In a global first, Radio App, the commercial radio industry app which hosts over 300 Australian radio stations, has been (or will shortly be) integrated into Amazon Alexa, Sonos and Google-enabled devices. Our bespoke news updates are also available on-demand on a range of voice-activated platforms (Google Home, Amazon Alexa, and Sonos). We have recently refreshed our PodcastOne Australia website and app, making it easier for our growing audiences to find and enjoy our library of unique and original podcasts.

USE OUR ASSETS TO HELP OUR CLIENTS SUCCEED:

Effectively monetising our content is fundamental to our success. The description of this pillar emphasises to our sales teams that we will only succeed if we focus on delivering success for our clients. First and foremost, this requires our sales and creative teams to spend more time to understand our clients' businesses. We are investing resources to ensure that our wealth of research and insights are relevant to our clients' needs and to demonstrate the return on investment from advertising on SCA's assets. Our investment in technology to enable aggregation of our FM and digital radio audiences through our 'digital stack' strategy is providing increased reach and demonstrable value for advertisers in a scaled and simple way. Our new and exclusive sales partnership with SoundCloud has expanded our portfolio of digital audio assets, providing advertisers with access to new audiences, while our new sales representation of 2CH Sydney has broadened our suite of advertising opportunities.

TRANSFORM OUR BUSINESS TO BUILD SUSTAINABLE REVENUE STREAMS:

This pillar is firmly focused on building a strong future for SCA. The launch of our Hubble talent development portal in 2017 was an early action to ensure SCA has a sustainable pipeline of creative talent for our range of audio platforms. Earlier this year, we launched an internal innovation program designed to make SCA a place where employees actively think about and work on innovation. The program includes training for our leaders to run workshops across our network of locations and a portal for submission of ideas that could create value for SCA.

The growth in total audio listening and the shift to digital on-demand platforms is providing opportunities for companies with creative and technical audio expertise. For SCA, this will include creating branded podcasts for companies who want to engage their customers or staff, helping advertisers with audio branding to improve their prominence on smart speakers and other voice-controlled devices, and exploring new and user-friendly ways for audiences to find and enjoy our compelling content in a brand-safe environment for our advertisers' products and services.

A key principle underlying SCA's corporate strategy is to invest sensibly in our 'front-of-house' activities: creating compelling content and using our audio assets to help our advertising partners succeed. Our decisions during the year to outsource our television playout and broadcast transmission services are consistent with that strategy. These 'back-of-house' functions are asset-intensive and can be performed more efficiently by specialist service providers. Outsourcing will deliver reliable and standardised performance of these functions, while mitigating future capital expenditure risks.

I am conscious that our outsourcing of these back-of-house functions will mean that some current roles in our business will no longer be required. We are grateful to all impacted employees for their service and assure them of our support during the transition period and in helping them to identify new opportunities after completion.

In closing, I would like to thank all of our people and the Board for their commitment and support as we build an exciting and successful future for SCA.

Grant Blackley

GRANT BLACKLEY
Managing Director and Chief Executive Officer

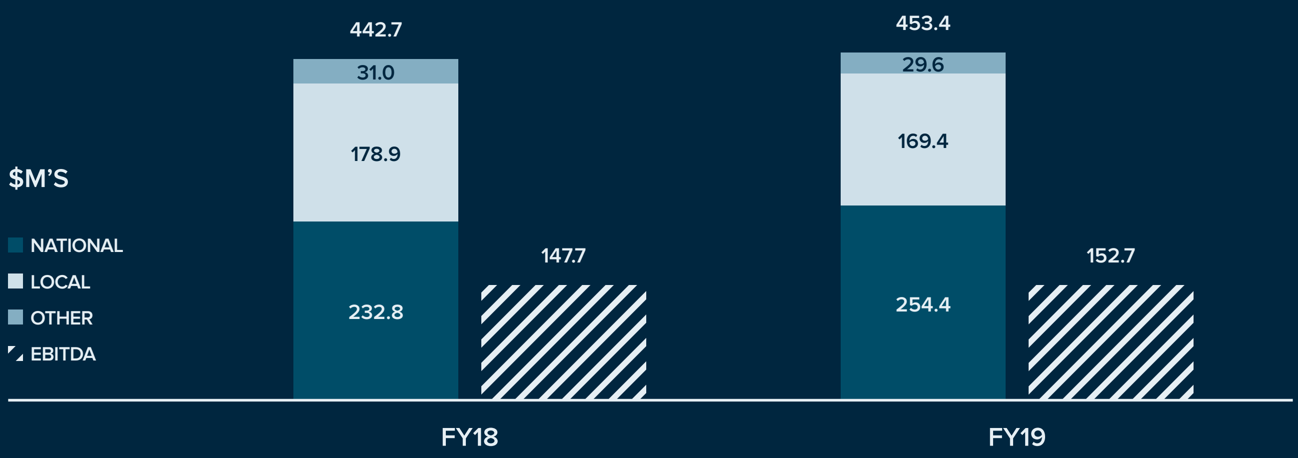
OPERATIONAL REVIEW

HIGHLIGHTS:

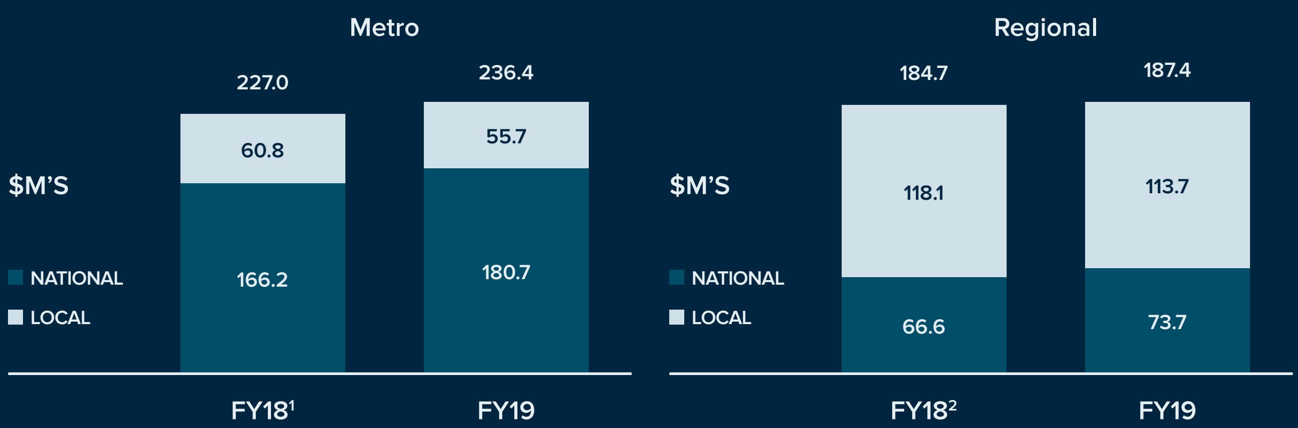
- Hit and Triple M metro audiences expand, and SCA's digital stack extends commercial impact
- PodcastOne Australia grows listeners and sponsors, extending into branded podcasts
- Digital audio extension to smart speakers and streaming
- Boomtown helps drive national revenue and commercial share growth for Regional radio and television.

AUDIO

SCA's Audio business grew successfully in FY2019. Revenue increased by 2.3% to $453.4 million and underlying EBITDA grew by 3.4% to $152.7 million. This result was spurred by national audio revenue growth of 9.3% to $254.4 million, offset by weaker local revenue.



Metro markets led this growth, while Regional radio performance was static.



[1] Restatement for AASB 15 – Revenue from Contracts with Customers. [2] Restatement to include revenue from Canberra JV previously included in Corporate segment

OPERATIONAL REVIEW

SCA's metro audio revenue increased by 4.1% to $236.4 million in a market that declined by 0.5%. In large part this is a reward for SCA's innovative and unique strategy for aggregating its FM and digital radio station audiences to provide additional value for advertisers in metro radio markets.

In 38 locations around the country, SCA's 76 Hit and Triple M network analogue radio stations and eight digital stations continued to entertain and inform more than 7.5 million listeners every day.

The Triple M and Hit FM networks are complemented in the five metro capital cities by four additional stations that are available on digital radio. Digital radio was also launched during the year in Hobart and in Canberra. SCA is a firm believer in the future of digital radio, owning and operating more digital radio spectrum than any other Australian commercial radio network.

In the August 2019 GfK Metro survey, SCA's national metro digital radio stations attracted 316,000 unique listeners, providing advertisers with greater audience reach of 6.3% in those metro markets.

SCA uses this aggregated FM and digital radio reach to offer advertisers a simple and scaled value proposition. When advertisers choose to advertise on a Hit or Triple M station, their advertisements are broadcast in the same day-part on five radio stations in the same location, significantly extending their commercial impact. Other Australian commercial radio networks cannot (or have so far chosen not to) do this for advertisers.

4,426,000
Listen to SCA's FM Network only

326,000
Listen to both SCA's FM and Digital Radio

316,000
Listen to SCA's Digital Radio Network only

Beyond the traditional broadcast signals, the Hit and Triple M networks are reaching and growing audiences on a range of digital and social channels. From Facebook and Instagram to YouTube, SCA's networks use these platforms to market their quality audio entertainment, news and information to Australian listeners through visualisation and storytelling.

SCA's social communities have increased by 4.6% to 13 million, as it continues to be the industry leader in social engagement – generating more than 29 million interactions on social platforms in FY2019.

The compelling and engaging digital content stems from SCA's broadcast brands and leads back to its owned and operated platforms, the Hit and Triple M apps and websites. This engagement contributed to 80% growth over the year in audio on demand consumption on SCA's own platforms.

SCA continues to improve the functionality of its apps, with active signed-in listeners increasing by 56% to 416,000 during the year

MUSIC

Music is a key reason why people listen to radio. For many, it is the number one reason. During the year, SCA appointed a Head of Music and created a music hub for each network. SCA's music strategy, relying on a mix of science and art, is to curate music moments to retain, attract and grow a loyal audience every day on all of SCA's stations around the country.

This will include updating playlists for each radio station around Australia according to demographic, research and survey information, evolving successful formats, and replacing less successful ones. There will be a core focus on digital formats, each of which is curated in a specific music genre.

OPERATIONAL REVIEW

HIT NETWORK

The Hit network achieved growth in both share and listeners in metro markets over the past year. Listeners were up 1.1%, from 3.077 million to 3.111 million, and the network share rose from 8.2% to 8.4%.

The Hit network strengthened in its core demographic of Women 25-54 over FY2019 in metro markets, with a 7.4% increase in listeners to 1.103 million.

Highlights:

- 2DayFM continued to rebuild its audience, helped by a broader music profile during the Workday. This delivered substantial increases in the target demographic of Women 25-54, from 242,000 to 279,000 listeners, a 15% increase. From 16 August 2019, we launched a new Breakfast show on 2DayFM, offering an upbeat new music alternative to Sydneysiders on their morning commute.
- The Fox in Melbourne continued its reign with the #1 Breakfast show this year with Fifi, Fev & Byron. This show has the highest audience of all commercial stations in Australia at 1.154 million. It is also #1 in the core Women 25-54 demographic, achieving a 1% increase to 391,000 listeners over the year.
- Stav, Abby & Matt on Hit105 Brisbane grew its All People 10+ from 491,000 to 505,000 listeners and in the core Women 25-54 demographic, the show was up 6.9% to 169,000 listeners.
- The Hit network's dual national Drive show strategy delivered positive ratings and revenue for SCA. Carrie & Tommy increased their share for All People 10+ from 10.6% to 10.7%, ranking #1 for Women 25-54 with a 17.4% share. Hughesy & Kate's share in the same demographic was up from 14.9% to 15.2%.
- Hit92.9 in Perth achieved strong growth in key demographics for the Workday music sessions, with share up 2.2 points to 13.9% in All People 25-54 and gains of 15,000 listeners. Workday jumped by 2.7 points to 18.8% for Women 25-54, growing by 9,000 listeners.

TRIPLE M NETWORK

The Triple M network's metro audience remained stable with an 8.2% share (All People 10+) and a 32,000 or 1% increase in listeners to 2.35 million. The network share increased from 8.2% to 8.4%.million, and the network share rose from 8.2% to 8.4%.

Highlights:

- Kennedy Molloy national Drive show: share up 12% in the core Men 25-54 demographic; listeners up by 5% or 47,000 people.
- Sydney Breakfast was relaunched in January 2019 as Moonman in the Morning. The new show, led by Lawrence Mooney, recorded an improvement in audience share from 4.7% to 5.9% across the first four surveys of 2019.
- In Melbourne, The Hot Breakfast with Eddie McGuire, Luke Darcy & Will Anderson increased its audience share to 6.8% over the year. Listening and share also increased across the Workday.
- The Big Breakfast in Brisbane with Marto, Robin & Nick increased to a 12% share of listening (All People 10+). Workday grew listening to a 13.3% share. In the core Men 25-54 demographic, Breakfast dominated with a share of 20.8%.
- In a tight breakfast battle in Perth, Mix94.5's All People 10+ Breakfast share increased to 13.5% and listeners were up by 2,000. Mix94.5 achieved big gains across FY2019 in the key demographic target of Women 25-54, up by 0.9% to 17.4%; and listeners rose by 13,000.
- Triple M's AFL coverage audiences grew by 7% from 487,000 to 519,000 listeners.

OPERATIONAL REVIEW

PODCASTONE AUSTRALIA

Podcasting is an exponential growth sector. Increasing consumer awareness and trial is building dedicated audiences that are becoming more attractive to advertisers, albeit off a low but growing base. Against this backdrop, PodcastOne Australia has consolidated its position as the leading, premium, commercial podcast business in Australia. In July 2019, PodcastOne Australia launched a new website and app to improve audience experience searching for and listening to PodcastOne Australia podcasts. Audiences and revenues were up 260% over the year, and SCA expects PodcastOne Australia to become cash flow positive during 2020 – supported by increasingly higher downloads and stronger revenues.

PodcastOne Australia is home to over 65 original podcast titles from a compelling group of Australians, as well as the best podcasts from our partner, PodcastOne USA. PodcastOne Australia's homegrown podcasts include Hamish & Andy, Adam Shand at Large, The Howie Games (Mark Howard), Mum says my Memoir is a Lie (Rosie Waterland), and Superwomen We Ain't (Janine Allis and Margie Hartley).

Other businesses have also noticed the growing influence of podcasting, and this is providing new commercial opportunities for PodcastOne Australia to use its specialist expertise to help companies create branded podcasts to engage key stakeholders, employees and customers.

DIGITAL AUDIO

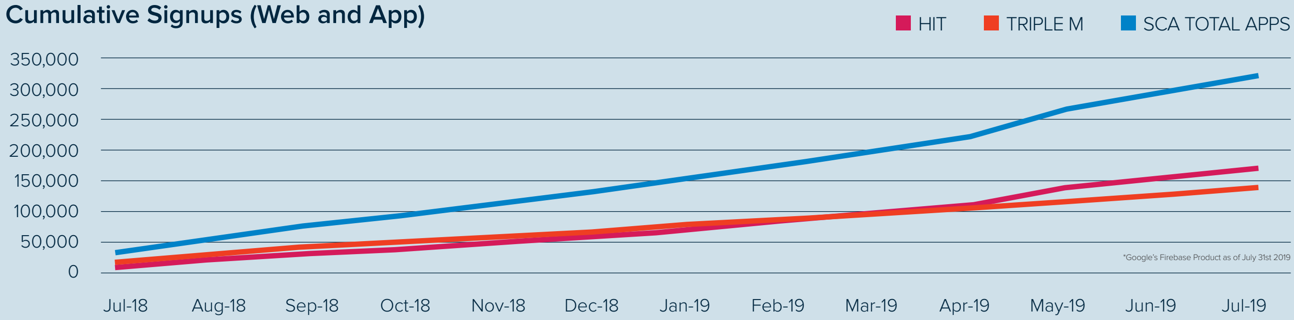
Audiences still love SCA's linear broadcast radio stations, but there is also increasing demand for mobile, personalised on-demand audio content. SCA is at the forefront of these consumer developments.

SCA's radio stations can be streamed on the go on smartphones or at home on smart speakers. The flagship radio shows around the country are available on catch-up podcasts, so that their audiences can listen to them – or to original podcasts on PodcastOne Australia – wherever and whenever it suits them.

We've created skills and bespoke content so that the latest news updates are available on demand on smart speakers.

On 1 April 2019, SCA kicked off an exclusive advertising partnership in Australia with SoundCloud, a global, open audio platform fostering what's new, now and next in music and culture. With an aggregated commercial reach of over three million monthly users, SCA is now a one-stop shop for digital audio advertising solutions on SoundCloud, coupled with SCA's own substantial live radio streaming and catch-up podcasts.

Cumulative Signups (Web and App)

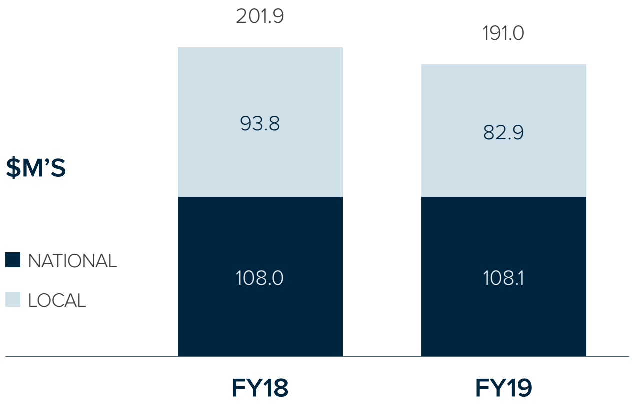


TELEVISION

With regional television advertising markets continuing to be challenged, SCA performed relatively well through an effective sales approach and disciplined controls over back office costs.

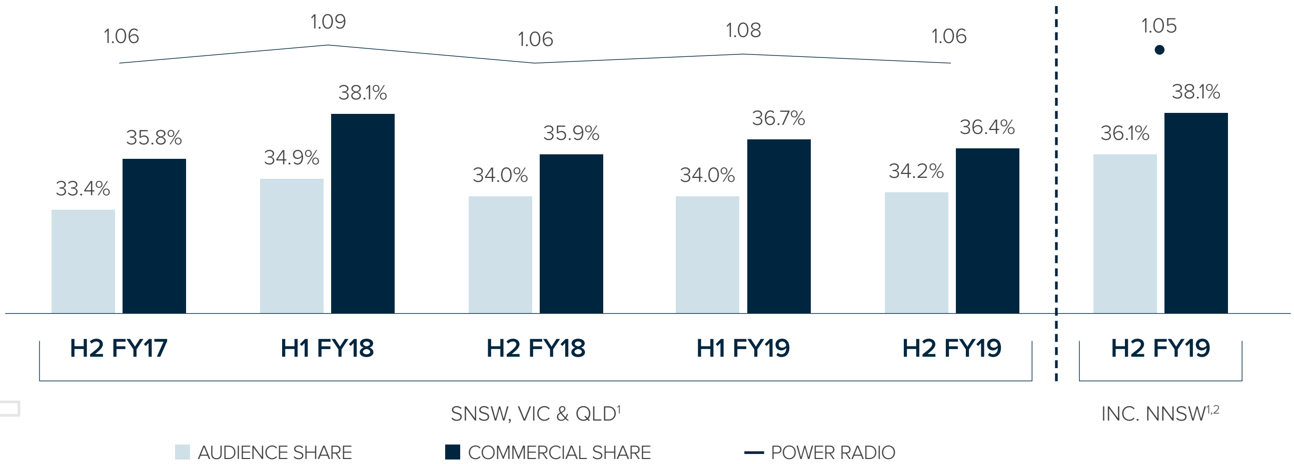
SCA's television operations contributed revenue of $206.6 million in FY2019, down 3.2% compared to FY2018. Excluding significant items and restructuring charges, underlying EBITDA increased by 1.2% to $33.7 million and the underlying EBITDA margin increased from 15.6% to 16.3%. This improved EBITDA margin was driven by the efficiencies that SCA has extracted from its television operations over time.

Advertising Revenue



SCA's principal affiliation – in the regional markets of Queensland, Southern New South Wales and Victoria – continues to be with the Nine Network. From 1 July 2018, SCA has also provided Nine with exclusive sales representation services in Northern New South Wales, making it simpler for advertisers to invest in these aggregated markets. Married at First Sight, The Block, Australian Ninja Warrior and Nine's NRL coverage were the best performing shows. SCA has consistently achieved a commercial share in excess of audience share in these markets.

Commercial Share & Power Ratio



SCA is expecting strong ratings and commercial performance from Nine's second year of broadcasting the Australian Open tennis in 2020. With Nine only securing the 2019 tennis rights late in 2018, there was limited opportunity for our sales teams to optimise this new event in its first year.

SCA is affiliated with the Seven Network in Tasmania. While this is a smaller market, SCA has built a strong position for Seven's programming over many years. Seven's AFL coverage is its premier product in Tasmania, with My Kitchen Rules, House Rules, Home & Away and Andrew Denton's Interview also strong ratings performers. Tasmania is the only market in which SCA produces its own local news bulletins, and that contributes to our leading position. SCA's sales teams continued in FY2019 to achieve a commercial share in excess of audience share in Tasmania.

SCA has also announced that it will outsource its television playout services – comprising 105 broadcast signals – to NPC Media (a joint venture between the Nine and Seven Networks), and its television and radio broadcast transmission services to Broadcast Australia. The transition of these services will be completed during FY2020, creating a streamlined and efficient service for delivery of broadcast television to SCA's licence areas. Outsourcing these services will create a more predictable cost base for our television operations, while mitigating future capital expenditure and other risks associated with SCA's previous ownership of broadcast assets.

[1] KPMG Market Share Report – Regional Queensland, SNSW, NNSW & Regional Victoria
[2] Effective 1 July 2018 SCA and Nine entered into a local sales representation agreement for the NNSW Television licence area

BOOMTOWN

SCA has grown its national advertising revenue in regional markets over the past several years. In the last two years, SCA has grown national regional revenues by 23.2% and 3.5% for radio and television respectively. In FY2019, SCA's national regional radio revenue grew by 10.7%, while national regional television revenue was flat. Overall, SCA grew national regional revenue by 4.1% to $181.8 million.

This growth has been driven by targeted initiatives taken by SCA to change the perception among metropolitan media buyers of regional Australia and to increase advertising investment in regional media. In 2019, SCA partnered with other regional media businesses in a joint marketing campaign to accelerate these initiatives. The campaign is called Boomtown.

Representing 8.8 million people living in regional Australia, Boomtown includes major business and population centres like the Gold Coast, Newcastle, the New South Wales Central Coast, Townsville, Hobart, Bunbury and Canberra. The residents of Boomtown – who comprise 36% of Australia's population – have disposable incomes and travel, shopping and spending patterns that are comparable to those of Australia's capital city residents. And yet only 10% of national media budgets are spent regionally. Boomtown seeks to close that gap.

SCA and our Boomtown partners believe there are significant opportunities for advertisers to grow their businesses in a more effective and efficient manner by tapping into Boomtown. More information is available on the Boomtown website: https://boomtown.media/.

GOVERNANCE

VALUES

SCA prides itself on creating a culture where people feel valued and can perform at their very best. *We don't just focus on what we do; we care about how we do it.* SCA's five values guide day-to-day decisions and shape individual and collective behaviour.

DIVERSITY AND INCLUSION

SCA believes that business performance is enhanced by a diverse workforce where employees are treated with respect and fairness and have equal access to opportunities. SCA aims to provide a living, creative organisation that understands the diversity of its audiences and advertisers.

The representation of women in the national executive team has risen from 25% to 30% over the past year. There are a range of initiatives under way to continue that trajectory, including mentoring and executive development programs for women, policies to encourage flexible working arrangements and return from parental leave, recruitment and succession planning processes that support high potential women, and training for all managers on diversity and inclusion.

Gender pay analysis indicates that remuneration across SCA's business is generally determined by reference to the requirements of each role and the skills and experience of individual employees, with no systemic gender bias in remuneration practices. Where isolated pay gaps have been identified (whether in favour of men or women), action has been taken to address them – or will be over time.

DEVELOPING AND LOOKING AFTER OUR PEOPLE

SCA is investing in leadership with a focus on the skills that SCA requires of its leaders now and in the future. This has included partnering with the Australian School of Applied Management to provide leaders with executive level training on leading in times of change, executing strategy, inspiring trust and coaching for high performance. SCA was also proud to receive an award for Cultural Transformation and Sustainability from Human Synergistics Australia, based on the people, culture and engagement results in 2016 and 2018.

SCA manages a range of workplace health and safety risks, including travelling and working in remote areas, working at heights on high voltage transmission equipment and other electrical equipment, managing asbestos in old office buildings and equipment shelters in regional areas, managing security arrangements for high profile performers and on-air announcers, and conducting 'stunts' for on-air radio content. Proactive steps are taken to promote the mental health and wellbeing of SCA's people including a wellbeing portal on the Company intranet, training on managing mental health in the workplace and an employee assistance program and counselling service.

CONNECTING AND SUPPORTING COMMUNITIES

As a local media organisation, SCA is an integral part of the fabric of regional and rural communities. SCA's local news and information services on radio and television keep communities up to date on the issues that matter to them; as well as providing local skilled jobs, promoting local events, supporting local businesses, providing local advertising opportunities and supporting local charities and community initiatives. SCA produces and broadcasts local news bulletins in Tasmania on the Seven Network and, in conjunction with the Nine Network, SCA broadcasts local television news bulletins in regional Victoria, Southern New South Wales and regional Queensland.

In addition to the SCA Engage national charity program, SCA is an active contributor to local communities. Here are just a few examples from the past year:

- Facing disaster from the devastating floods this year, SCA's Townsville radio personalities and the people in Far North Queensland locations assisted local authorities and communities with emergency briefings, up-to-date advice and recommendations and support services over several weeks.
- The extreme bush fires in Esperance saw SCA's radio stations broadcast bushfire information 24 hours a day for five days. Triple M in Warragul did the same for 48 hours during the Bunyip State Park fires in March 2019.
- Triple M's GoldFM on the Gold Coast supported an event where hundreds of people paddled on Currumbin Creek and took an oath to Stand Up against Domestic Violence. Hit90.9's announcer, Ben Hannant, peddled a spin bike for 24 hours to raise $152,000 for a local family in need.
- Hit106.9 Newcastle Breakfast announcer, Simon Baggs, walked 50 kilometres – raising $60,000 for the family of an 11-year-old girl suffering permanent disability following surgery to remove a brain tumour.
- Through a partnership with Habitat for Humanity, SCA offers four employees each year the opportunity to participate in Rock the House, in which they help to construct housing for disadvantaged people in impoverished overseas communities. In 2019, Rock the House travelled to Siem Reap, Cambodia.

CORPORATE GOVERNANCE

SCA's Corporate Governance Statement demonstrates the extent to which SCA has complied with the ASX Corporate Governance Council's Principles and Recommendations and corporate governance best practice. The Corporate Governance Statement and related corporate governance policies are available on SCA's website (http://www.southerncrossaustereo.com.au/investors).

SCA ENGAGE

SCA Engage is SCA's national charity program. Over two-year cycles, SCA works with selected charities to help their work, while engaging its own people to build stronger communities. SCA provides support through radio and television advertising; digital, social and research support; event and meeting spaces; brainstorming sessions; concert and sporting tickets; on-air interviews; and staff volunteering.

SCA supported CanTeen, OzHarvest and Black Dog Institute in the first of our two-year programs.

SCA ENGAGE 2016-2018		
CanTeen	**OzHarvest**	**Black Dog Institute**
Increase of 1,700 young people receiving intensive support	25% uplift in CEO Cookoff fundraising	Individual giving rose by 477% in regional Australia
SCA research insights changed ways to communicate with young people	53% increase in financial year tax appeal fundraising	Brand awareness up 11% (metro) and 8% (regional)
Training at SCA increased professionalism of 50 youth ambassadors	19% increase in Christmas appeal fundraising	11% increase in men 30-52 seeking mental health information from Black Dog Institute

SCA also supported Rural Aid, helping rural communities dealing with drought. A four-month campaign of community service announcements on radio and television encouraged people to donate to the 'Buy a Bale' appeal or volunteer to help farmers in need.

From 1 January 2019, SCA is working with The Smith Family and Beyond Blue, as well as our in-house charity, Give Me 5 for Kids. In the first six months of 2019, SCA provided The Smith Family and Beyond Blue with commercial advertising to the value of $19,543,602.

Both external charity partners have provided education sessions in 11 of our biggest offices, reaching over 1,400 staff. On 1 July 2019, our metro Triple M network was proud to work with Beyond Blue on 'No Talk Day'. From 6:00am until 6:00pm, there were no shows, news, weather or paid advertisements. The promotion aimed to encourage men to talk to someone about their mental health. Beyond Blue has reported a 30% increase in people using their services since SCA's support began in January 2019.

SCA has run the annual Give Me 5 for Kids campaign for more than 20 years. Beginning as a simple coin drive on the New South Wales Central Coast, the campaign has raised over $25 million nationally, and benefited over 40 pediatric wards of local hospitals and children's health-related charities. Local health services use these funds to improve outcomes for young patients, from acquiring vital medical equipment through to providing clown doctor services to cheer up sick children.

In June each year, SCA's local radio and television stations get behind the cause by holding local fundraising events. Many local businesses, clubs and individuals stage their own fundraising activities under the Give Me 5 for Kids banner, adding to the funds raised and helping to build stronger communities. SCA covers all administrative costs so that all funds raised go direct to local charities.

TESTIMONIALS:

Beyond Blue Quote: Patrice O'Brien (General Manager Workplace, Partnerships & Engagement)

Our partnership with SCA is only five months old but already you have blown us away with the enthusiasm, professionalism and sheer speed at which you have amplified our messages across Australia. We've been inspired by the culture which we've encountered in your organisation which makes this an even more meaningful partnership for us. 'Thank you' hardly seems enough.

The Smith Family Quote: Melanie Lowe (Strategic Partnership Manager)

The experience with SCA thus far in our partnership has been truly wonderful. Over the past five months, constant team member passion and enthusiasm shines through and cements what an invaluable journey we are both on together. On a personal note, I am beyond excited for what is yet to come.

Alison Kennedy, CEO Toowoomba Hospital Foundation

The Give Me 5 for Kids appeal is a wonderful fundraiser which has helped us bring much joy and support to children visiting the Toowoomba Hospital. We're proud to have been a part of this great cause over the past 11 years and the generosity of our community has raised over half a million dollars to date which has gone towards purchasing vital equipment for the paediatric unit.

Lucas Coleman, Manager of Communication, Fundraising and Volunteering, Newcastle Health

As the recipient organisation it is almost difficult to articulate the difference we have seen over the past five years. Thank you to all the team who put in so much effort each year to ensure Give Me 5 for Kids is bigger and better each year; the staff at John Hunter Children's Hospital are very appreciative of the work you do, as are the 50,000 families that require our services each year.

DIRECTORS

PETER BUSH

CHAIRMAN, INDEPENDENT DIRECTOR

Appointed: 25 February 2015, Most recently elected by shareholders: 23 October 2018,

Board Committees: Nomination Committee (Chair)

Peter Bush had a distinguished executive career spanning the media, FMCG, advertising and consumer products sectors. He held senior marketing roles with SC Johnson, Reckitt & Coleman, Ampol/Caltex and Arnott's and was CEO of AGB McNair, Schwarzkopf and McDonald's Australia. He brings broad commercial and strategic leadership skills to the Board.

Peter also brings a wealth of public company governance experience, including considerable experience in mergers and acquisitions and equity capital markets transactions. He is Chairman of Inghams Group. He has previously served on the boards of Mantra Group, Pacific Brands, Nine Entertainment Holdings, Insurance Australia Group, Miranda Wines, McDonald's Australia and Lion Nathan Ltd. Peter is a member of the 30% Club, supporting at least 30% female representation on ASX 200 boards. Both directors appointed during Peter's time as Chair are women.

LEON PASTERNAK

DEPUTY CHAIRMAN, INDEPENDENT DIRECTOR

Appointed: 26 September 2005, Most recently elected by shareholders: 23 October 2018

Until July 2010, Leon was a senior corporate partner at Freehills (now Herbert Smith Freehills) specialising in mergers and acquisitions, public finance and corporate reorganisations. Until February 2014, Leon held the positions of Vice Chairman and Managing Director with Merrill Lynch Markets (Australia) Pty Limited (a subsidiary of Bank of America) with responsibility for the financial institutions group and mergers and acquisitions. As a principal of BCC Partners, Leon now offers strategic and financial advice to a portfolio of private, public and family businesses.

Leon brings broad corporate and strategic expertise to the Board's deliberations. As the Company's longest-serving director, his corporate knowledge has been invaluable in bedding down the significant renewal since 2014 of both the Board and the senior leadership team.

HELEN NASH

INDEPENDENT DIRECTOR

Appointed: 23 April 2015, Most recently elected by shareholders: 24 October 2017

Board Committees: Audit & Risk Committee, People & Culture Committee (Chair), Nomination Committee

Helen Nash has more than 20 years' executive experience in consumer packaged goods, media and quick service restaurants. As Chief Operating Officer at McDonald's Australia, she oversaw restaurant operations, marketing, menu, insights and research, and information technology. This mix of strategic and operational experience allows Helen to bring broad commercial skills and acumen, as well as a consumer focus, to the Board. Helen also brings robust financial skills to her role having initially trained in the UK as a Certified Management Accountant.

Since transitioning to her non-executive career in 2013, Helen has served as a director of companies in a range of industries. She is a director of Metcash Ltd and Inghams Group Limited, and was formerly a director of Pacific Brands Ltd and Blackmores Ltd. Our Board benefits from Helen's governance experience and skills, including her membership of audit and remuneration committees at these other companies.

DIRECTORS

GLEN BOREHAM AM

INDEPENDENT DIRECTOR

Appointed: 1 September 2014, Most recently elected by shareholders: 20 October 2016

Board Committees: Audit & Risk Committee, People & Culture Committee

Glen's executive career culminated in the role of CEO and Managing Director of IBM Australia and New Zealand in a period of rapid change and innovation from 2006 to 2010. He was the inaugural Chair of Screen Australia from 2008 to 2014, and chaired the Australian Government's Convergence Review of the media industry. The Board benefits from Glen's extensive knowledge, insights and networks in the technology and data industries. Having lived in Asia, Europe and Australia, Glen brings a global perspective.

Glen is also a director of Cochlear and Link Group and is Chair of the Advisory Board at IXUP. He was previously Chair of the Industry Advisory Board at the University of Technology Sydney, Chair of Advance (representing the one million Australians living overseas), as well as Deputy Chair of the Australian Information Industry Association and a Director of the Australian Chamber Orchestra. In 2010, he became a founding member of Australia's Male Champions of Change group. Glen is a Member of the Order of Australia for services to business and the arts.

ROBERT MURRAY

INDEPENDENT DIRECTOR

Appointed: 1 September 2014, Most recently elected by shareholders: 24 October 2017

Board Committees: People & Culture Committee, Nomination Committee

Rob had a successful career in sales, marketing and general management having served most recently as the CEO of Lion (formerly Lion Nathan), one of Australasia's leading food and beverage companies, including during its acquisition by Kirin Holdings in 2009. Before joining Lion Nathan in 2004, Rob worked for Procter & Gamble for 12 years; and then for eight years with Nestlé, first as MD of the UK Food business, and then as CEO of Nestlé Oceania.

Rob brings valuable strategic and commercial insight to the Board, along with his in-depth understanding of consumer behaviour and global experience in mergers and acquisitions and other corporate transactions.
He is Chair of Metcash, a director of the Bestest Foundation, and Advisory Chair of the Hawkes Brewing Company.
He was previously a director of Dick Smith Holdings, Super Retail Group and Linfox Logistics.

MELANIE WILLIS

INDEPENDENT DIRECTOR

Appointed: 26 May 2016, Most recently elected by shareholders: 20 October 2016

Board Committees: Audit & Risk Committee (Chair), People & Culture Committee

Melanie has extensive experience in corporate finance, strategy and innovation and investments both in executive and non-executive roles. She has worked in sectors including accounting and finance, infrastructure, property investment management, and retail services (including tourism and start-up ventures). She held executive roles as CEO of NRMA Investments (and head of strategy and innovation), CEO of a financial services start-up and director of Deutsche Bank, having previously been in corporate finance at Bankers Trust and Westpac.

In her role as Chair of the Audit & Risk Committee, Melanie applies her extensive skills and experience in financial reporting and risk management matters. In addition to her broad finance, strategic and commercial skills, Melanie brings valuable governance experience from her roles as a director of Challenger, Paypal Australia and Chief Executive Women and from her former positions as a director of Pepper Group and Ardent Leisure where she also served on audit committees.

LEADERSHIP TEAM

GRANT BLACKLEY

MANAGING DIRECTOR

Appointed: 29 June 2015, Most recently elected by shareholders: 29 October 2015

Grant Blackley has enjoyed a distinguished career with more than 30 years' experience in the media and entertainment sectors. Grant joined the Board in June 2015 as Chief Executive Officer and Managing Director and is responsible for leading the strategic and operational performance of the company. Grant is the Chairman of Commercial Radio Australia and a director of the Australian Association of National Advertisers. He has in the past served as a director of Free TV Australia. He has served in numerous senior leadership roles including at the TEN Network, as CEO from 2005 to 2010. Prior to becoming CEO, Grant held key roles in network sales, digital media and multi-channel program development as well as being responsible for Group strategy, acquisitions and executive leadership and development.

NICK MCKECHNIE

CHIEF FINANCIAL OFFICER

Appointed: 8 September 2014

Nick McKechnie is a Chartered Accountant with over 20 years' experience. Nick was the CFO of ConnectEast from 2009 to 2014 and Group Financial Controller from 2007 to 2009. Prior to this role Nick held a variety of senior finance roles at Virgin Media in the UK and commenced his career with Arthur Andersen.

As CFO of SCA, Nick is responsible for the financial stewardship of the Company, including the allocation of capital and resources and the management of returns to shareholders. Financial objectives include optimising the cost of capital through use of an appropriate balance of equity and debt capital and through seeking to invest capital in projects that result in returns above the Company's existing Return on Invested Capital (ROIC). Nick is responsible for managing relationships and communication with providers of equity and debt capital and for ensuring a strong and effective governance framework exists.

JOHN KELLY

CHIEF OPERATING OFFICER

Appointed: February 2016

John Kelly is an experienced executive who has previously held senior executive roles in large Australian sporting and media organisations. John was COO at Football Federation Australia from 2013 to 2015 where his role encompassed strategy and media rights. Prior to that role John spent over 16 years in various executive and director roles at Ten Network Holdings Limited including over eight years as Group CFO. John has a background as a Chartered Accountant and commenced his career at KPMG where he progressed to the role of Manager.

As Chief Operating Officer, John is responsible for leading the Operations function of the business to ensure alignment and delivery of the corporate strategy. This includes overseeing SCA's General Management Teams, People & Culture, Strategy and Podcasting as well as facilitating the Company's external key broadcasting agreements and key partnerships.

LEADERSHIP TEAM

BRIAN GALLAGHER

CHIEF SALES OFFICER

Appointed: July 2015

Brian Gallagher is a media executive with strong commercial and broadcast experience across the metro and regional media markets gathered over 30 years. Brian has worked in radio, free to air TV, pay TV, content marketing and program production. Brian has worked with the Nine Network, Ten Network and was CEO of Ignite Media Brands prior to joining SCA as Chief Sales Officer.

Brian is responsible for the development and implementation of an overall sales strategy for the Company, including driving the entire sales operation across SCA's full suite of media channels and brands.

STEPHEN HADDAD

CHIEF TECHNOLOGY OFFICER

Appointed: June 2018

Stephen Haddad is an experienced CIO/CTO and Business Transformation Executive who has demonstrated his ability to drive strategic business growth over 20 years in Australia's media, finance and consulting organisations. Prior to this role, Stephen held CIO roles at Bauer Media, FujiFilm and senior roles within banking and telecommunications.

Stephen is responsible for all technology domains across SCA, including business systems, corporate networks and infrastructure, digital design and development, audio engineering technology and operations and television broadcast engineering and operations. Stephen also has management responsibility for the project management office and procurement functions.

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FINANCIAL REPORT

CONTENTS

The financial statements were authorised for issue by the Directors on 22 August 2019. The Directors have the power to amend and re-issue the financial statements.

Corporate Governance Statement

The statement outlining Southern Cross Media Group Limited's corporate governance framework and practices in the form of a report against the Australian Stock Exchange Corporate Governance Principles and Recommendations, 3rd Edition, will be available on the Southern Cross Austereo website, www.southerncrossaustereo.com.au, under the investor relations tab in accordance with listing rule 4.10.3 when the 2019 Annual Report is lodged.

Directors' Report

The Directors of Southern Cross Media Group Limited ("the Company") submit the following report for Southern Cross Austereo, being Southern Cross Media Group Limited and its subsidiaries ("the Group") for the year ended 30 June 2019. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors
The following persons were Directors of the Company during the whole of the year, unless otherwise stated, and up to the date of this report:
- Peter Bush (Chairman)
- Leon Pasternak (Deputy Chairman)
- Grant Blackley
- Glen Boreham
- Rob Murray
- Helen Nash
- Melanie Willis

Principal Activities
The principal activities of the Group during the course of the financial year were the creation and broadcasting of content on free-to-air commercial radio (AM, FM and digital), TV and online media platforms across Australia. These media assets are monetised via revenue generated from the development and sale of advertising solutions for clients.

There were no changes in the nature of the Group during the year.

Review and Results of Operations

Operational Review
Group Results
The Group reported revenues of $660.1 million, up 0.5% on the prior year revenues of $656.8 million, and Earnings before Interest, Taxes, Depreciation and Amortisation ("EBITDA") before loss on assets held for sale of $156.6 million, down 1.1% on prior year EBITDA of $158.4 million. Net loss after tax was $91.4 million for the year ended 30 June 2019, from a net profit after tax of $0.1 million. Current year results included impairment charges against the television intangible assets of $226.9 million and fair value loss on assets held for sale of $9.2 million. Excluding these significant items, net profit after tax of $73.9 million is flat on the prior year.

A change has been made to the presentation of the results of operations to reflect organisational structure changes, with reporting of the results now analysed between Audio and Television reporting segments. Further description of this change is set out in note 2 "Segment Information" to the financial statements.

Net debt has reduced by a further 3.8% to $292.6 million and net cash finance costs of $12.8 million are down 9.2% on the prior year.

Significant Items
At 31 December 2018, the Group recognised impairment charges against intangible assets of $226.9 million, which related to an impairment in the carrying value of television licences in the Television Cash Generating Unit ("CGU"). There was also a related derecognition of a deferred tax liability in respect of certain brands and licences for $68.1 million. At 31 December 2018 the estimated recoverable amount of the Television CGU, based on value-in-use, equalled its carrying amount. On the reassessment of the CGUs, the assets of the Regional CGU were allocated between the Audio and the Television CGUs. The carrying value attributable to the Television CGU was in excess of the CGU's value-in-use, which was the main cause of the impairment. Refer to notes 6, 9 and 10 for further information.

During 2019, the Group performed an evaluation of its broadcast transmission assets. The Group decided to sell its existing transmission assets and to outsource the provision of transmission services. At 30 June 2019 the sale negotiations were at an advanced stage and on 6 August 2019 the Group announced the sale of assets and outsourcing of transmission services. On reclassification to Assets held for sale, fair value losses totalling $9.2 million were recorded. Refer to note 7 for further information.

Segment Profit and Loss

	2019 $'m	2018 $'m	Variance
Audio	**452.4**	442.1	2.3%
Television	**206.6**	213.4	(3.2%)
Corporate	**1.1**	1.3	(15.4%)
Total Revenue	**660.1**	656.8	0.5%
EBITDA			
Audio	**148.7**	147.7	0.7%
Television	**25.2**	33.3	(24.3%)
Corporate	**(26.5)**	(22.6)	17.3%
Total EBITDA	**147.4**	158.4	(6.9%)
Group NPAT	**(91.4)**	0.1	N/A

Review and Results of Operations (continued)

Audio
The Audio business consists of two complementary radio brands operating in the Australian capital cities and regional Australia along with the digital assets associated with these two brands. The brands target different audience demographics with the Triple M network skewed towards males in the 25 to 54 age bracket and the Hit Network targeted towards females in the 18 to 49 age bracket.

The Audio business saw revenue growth of 2.3%, which led to EBITDA growth of 0.7%, with growth in both the Australian capital cities and regional Australia.

Overall, the metropolitan free-to-air radio advertising market has performed relatively well throughout 2019, decreasing 0.5% year on year in what was a challenged media environment. An improving ratings position and the monetisation of our digital radio stations resulted in market share increases that led to a 4.1% growth in the Group's metro radio advertising revenues.

Regional radio continues to be a strong performer for the Group with advertising revenues up 1.5% on 2018. Revenue from national agency clients was up 10.6%. This growth has been driven by the Group's stated objective of increasing the profile of regional radio by conducting audience surveys in many regional markets and working with key agency clients to help them better understand the benefits of regional radio advertising. Local revenues have fallen by 3.7%, impacted by the credit squeeze following the Royal Commission, coupled with lower spend in the election period.

Television
The Television business consists of a number of regional television licences. Each regional television licence receives programming from a metropolitan television network affiliate, with the Group receiving the majority of its programming from the Nine Network, while the Tasmania and Central Australian licence areas receive Seven Network programming. The combination of two premium programming agreements gives SCA a strong audience share across its TV licence areas. However, the Group faced a market decline of 5.1% in its main markets, which led to a 3.2% decline in Television revenues and 24.3% decline in Television EBITDA, before fair value losses on assets held for sale. Refer to the "Significant Items" section above for a description of the $226.9 million impairment charge against the television licence intangible assets.

Corporate
The Corporate function comprises the Group-wide centralised functions of the Group. Corporate expenses increased due to software licencing, as a result of investment in new software tools designed to improve the efficiency of our operations, with insurance costs also up.

Financial position
The financial position of the Group continues to improve with net debt reducing 3.8% on 2018 to finish the year at $292.6 million. The Group's key debt measures continue to improve with a leverage ratio of 1.76 times, down from 1.79 times in June 2018, and interest cover improving to 13.03 times, up from 12.03 times in June 2018.

Strategic Update
During the 2019 financial year the Group has executed on a number of elements that support the achievement of the Group's medium-term strategic objectives to:

1. Create compelling content;
2. Deliver improved audio experiences;
3. Use our assets to help our clients succeed; and
4. Transform our business to build sustainable revenue streams.

The Group focused on the continued development of local content across its radio network to increase its appeal to audiences. In addition, the expansion of digital radio stations aligned to the principal Hit and Triple M brands has further extended its audiences and enabled greater monetisation of its assets.

SCA has further increased the personalisation of its products and the development of on-demand audio assets. PodcastOne Australia has become established as the leading commercial premium podcast platform across Australia, with high quality local content appealing to Australian audiences. The platform now hosts over 65 creators and monetisation is growing as audiences and advertisers embrace the medium. In addition, the Group has expanded its digital audio assets with the introduction of instream advertising and a partnership with the global music streaming platform Soundcloud, under which SCA is its sales representation agent for all digital audio consumed in Australia.

The Group has continued to focus on increasing the proportion of national advertising invested in regional markets. These efforts were focused through an industry trade marketing "Boomtown" campaign that SCA has delivered along with its regional media peers in television, radio, print and digital assets. The success of these efforts has seen national regional radio advertising increase by 10.6% and national television revenues held flat despite a declining market.

SCA continues to focus on the development of new assets in digital audio that will result in the development of sustainable new revenue streams and has implemented an innovation program and culture within the business to assist with the transformation of the business.

2020 Outlook
The majority of the Group's earnings come from its Audio division and SCA plans to further grow these earnings through its focus on further improving the content offering, on expanding the breadth of its offering through use of its digital radio spectrum and through the development of personalised and on-demand content. In Television, SCA will achieve improved efficiency following the decision to outsource both playout and transmission services.

Material Risks

Business and operational risks that could affect the achievement of the Group's financial prospects include the following risks:

Risk	Mitigation Strategies
Decrease in the size of the free-to-air ("FTA") television market at a faster rate than forecast	The Group has seen a decline in the television market of 5.1% year on year. Although FTA television continues to deliver mass audiences and hence has a key place in media buying strategies, television markets remain challenging due to ongoing audience declines. At 31 December 2018, the Group recognised impairment charges against the Television CGU of $226.9 million. On the reassessment of the CGUs, the assets of the Regional CGU were allocated between the Audio and the Television CGUs. The carrying value attributable to the Television CGU was in excess of the CGU's value-in-use, which was the main cause of the impairment; but is consistent with the continuing declines and independent estimates of forecast negative television growth rates. For further information, refer note 10. Key mitigation strategies are focused on improving the share of media spending directed towards regional markets and by focusing on the efficiency of television operations. The Group's sales teams' Regional Development Program continues to drive incremental marketing in regional markets where there is an underinvestment in media spend on a per capita basis and is supported in this regard by the industry trade marketing Boomtown campaign. SCA continues to focus on improving the efficiency of television operations and during the year entered into outsourcing arrangements with specialist operators for both television playout and transmission services. The Group is a diversified business covering television, radio and online, which provides a degree of protection against individual market weaknesses, with the television CGU only representing 15% of the Group's EBITDA. As a television affiliate the Group pays a percentage of revenue to the broadcast partners meaning television has a higher variable cost structure than our radio or online businesses, which reduces the profit impact of any potential decline in revenue.
Finding and retaining good on-air talent	Finding and retaining good on-air talent is a key to retaining and growing audience share, and the Group is committed to developing talent across its national network of radio stations. The Group maintains a risk-based (opportunity) approach to unearthing and developing new talent and has implemented "Hubble", a formal tool that assists to Discover, Document, Develop and Deploy talent at each stage of their career. The nature of the Group's regional and metro radio assets provides an opportunity for developing talent to be moved from smaller to larger markets over time. Contracts are used to lock talent in for certain periods of time. The development of successful off-air teams that help create high quality programming is also important in developing the loyalty of on-air talent to the Group.
New products emerge that are more compelling than Linear Radio	The Group has increased its focus on content that is desirable, accessible and prominent. SCA is looking to evolve existing products and develop new products to take advantage of the opportunity provided by the expanding scope of digital distribution. Examples include: SCA's website and apps, which provide personalisation for signed-in users PodcastOne Australia which is SCA's podcast network which was launched in 2017 and which SCA aims to make the pre-eminent podcasting network in Australia. PodcastOne Australia produces unique original content that is available on demand to listeners and this content is monetised through advertising. The platform now hosts 65 creators and monetisation is growing as audiences and advertisers embrace the medium. SCA is also working with global technology platforms to extend the content that these carry, either directly or through industry bodies. For example, ensuring that SCA's audio products are readily accessible on smart speakers.
Global technology platforms alter the distribution landscape that leads to a loss of revenue	With new alternative digital platforms and technologies emerging, there is a risk that the Group loses market share to alternative digital platforms and technologies, or fails to fully exploit the opportunity digital media represents for the business to lock in and grow new audience loyalty, or suffers financial loss due to a transfer of advertising spend to digital media. The Group has employed a team of digital experts, which are now integrated into the Group's day-to-day operations, in order to leverage existing content and sales capabilities. The Group invests in engaging digital audiences through the simulcast of its FM radio stations online and the creation of additional stations on DAB that extends its Hit and Triple M radio brands across broadcast and online platforms. The Group's digital strategy is to utilise its broadcast, social and website reach to continuously engage audiences around our digital audio offering, driving people to our branded apps on which they can listen either live or on-demand. SCA currently has an installed base of 2.6 million[1] across its branded radio apps. Digital audio is increasing and SCA has implemented an Instream product that enables targeted advertising to be delivered across SCA's own digital inventory as well as that of its partners such as SoundCloud.

1 AppAnnie.

Distributions and Dividends

Type	Cents per share	Total Amount $'m	Date of Payment
Final 2018 Ordinary	4.00	30.8	9 October 2018
Interim 2019 Ordinary	3.75	28.8	11 April 2019

Since the end of the financial year the Directors have declared the payment of a final 2019 ordinary dividend of $30.761 million (4.00 cents per fully paid share) out of "Retained profits – 2015 H1 interim reserve" to fully utilise that reserve and the remainder to be paid out of "Retained Profits – 2016 reserve". This dividend will be paid on 8 October 2019 by the Company.

Significant Changes in State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the year under review.

Events Occurring After Balance Date

Events occurring after balance date are outlined in note 26 "Events Occurring after Balance Date" to the Financial Statements.

Likely Developments and Expected Results of Operations

Further information on likely developments relating to the operations of the Group in future years and the expected results of those operations has not been included in this report because the Directors of the Company believe it would be likely to result in unreasonable prejudice to the commercial interests of the Group.

Indemnification and Insurance of Officers and Auditors

During the year the Company paid a premium of $562,086 to insure its officers. So long as the officers of the Company act in accordance with the Constitution and the law, the officers remain indemnified out of the assets of the Company and the Group against any losses incurred while acting on behalf of the Company and the Group. The auditors of the Group are in no way indemnified out of the assets of the Group.

Non-Audit Services

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

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers Australia) for audit and non-audit services provided during the year are set out in note 23.

The Board has considered the position and, in accordance with advice received from the Audit & Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

– all non-audit services have been reviewed by the Audit & Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
– none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Environmental Regulation

The operations of the Group are not subject to any significant environmental regulations under Australian Commonwealth, State or Territory law. The Directors are not aware of any breaches of any environmental regulations.

Information on Directors

Chairman

Peter Bush

Appointed 25 February 2015

Most recently elected by shareholders: 23 October 2018

Board Committees: Chairman, Nomination Committee

Peter Bush had a distinguished executive career spanning the media, FMCG, advertising and consumer products sectors. He held senior marketing roles with SC Johnson, Reckitt & Coleman, Ampol/Caltex and Arnott's and was CEO of AGB McNair, Schwarkopf and McDonald's Australia. He brings broad commercial and strategic leadership skills to the Board.

Peter also brings a wealth of public company goverance experience, including considerable experience in mergers and acquisitions and equity capital market transactions. He is Chairman of Inghams Group. He has previously served on the boards of Mantra Group, Pacific Brands, Nine Entertainment Holdings, Insurance Australia Group, Miranda Wines, McDonald's Australia and Lion Nathan Ltd. Peter is a member of the 30% Club, supporting at least 30% female representation on ASX 200 boards. Both directors appointed during Peter's time as Chair are women.

Deputy Chairman

Leon Pasternak

Appointed 26 September 2005

Most recently elected by shareholders: 23 October 2018

Board Committees: Deputy Chairman

Until July 2010, Leon was a senior corporate partner at Freehills (now Herbert Smith Freehills) specialising in mergers and acquisitions, public finance and corporate reorganisations. Until February 2014, Leon held the positions of Vice Chairman and Managing Director with Merrill Lynch Markets (Australia) Pty Limited (a subsidiary of Bank of America) with responsibility for the financial institutions group and mergers and acquisitions. As a principal of BCC Partners, Leon now offers strategic and financial advice to a portfolio of private, public and family businesses.

Leon brings broad corporate and strategic expertise to the Board's deliberations. As the Company's longest-serving Director, his corporate knowledge has been invaluable in bedding down the significant renewal since 2014 of both the Board and the senior leadership team.

CEO and Managing Director

Grant Blackley

Appointed 29 June 2015

Most recently elected by shareholders: 29 October 2015

Grant Blackley has enjoyed a distinguished career with more than 30 years' experience in the media and entertainment sectors. Grant joined the Board in June 2015 as Chief Executive Officer and Managing Director and is responsible for leading the strategic and operational performance of the Company. Grant is the Chairman of Commercial Radio Australia and a director of the Australian Association of National Advertisers. He has in the past served as a director of Free TV Australia. He has served in numerous senior leadership roles including at the TEN Network, as CEO from 2005 to 2010. Prior to becoming CEO, Grant held key roles in network sales, digital media and multi-channel program development as well as being responsible for Group strategy, acquisitions and executive leadership and development.

Director

Glen Boreham AM

Appointed 1 September 2014

Most recently elected by shareholders: 20 October 2016

Board Committees: Audit & Risk Committee, People & Culture Committee

Glen's executive career culminated in the role of CEO and Managing Director of IBM Australia and New Zealand in a period of rapid change and innovation from 2006 to 2010. He was the inaugural Chair of Screen Australia from 2008 to 2014, and chaired the Australian Government's Convergence Review of the media industry. The Board benefits from Glen's extensive knowledge, insights and networks in the technology and data industries. Having lived in Asia, Europe and Australia, Glen brings a global perspective.

Glen is also a director of Cochlear Limited and Link Group and is Chair of the Advisory Board at IXUP. He was previously Chair of the Industry Advisory Board at the University of Technology Sydney, Chair of Advance, representing the one million Australians living overseas, as well as Deputy Chair of the Australian Information Industry Association and a Director of the Australian Chamber Orchestra. In 2010, he became a founding member of Australia's Male Champion of Change group. Glen is a Member of the Order of Australia for services to business and the arts.

Information on Directors (continued)

Director
Robert Murray

Appointed 1 September 2014

Most recently elected by shareholders: 24 October 2017

Board Committees: People & Culture Committee, Nomination Committee

Rob had a successful career in sales, marketing and general management having served most recently as the CEO of Lion (formerly Lion Nathan), one of Australasia's leading food and beverage companies, including during its acquisition by Kirin Holdings in 2009. Before joining Lion in 2004, Rob worked for Procter & Gamble for 12 years, and then for eight years with Nestlé – first as MD of the UK Food business, and then as CEO of Nestlé Oceania.

Rob brings valuable strategic and commercial insight to the Board, along with his in-depth understanding of consumer behaviour and global experience in mergers and acquisitions and other corporate transactions. He is Chair of Metcash, a director of the Bestest Foundation, and Advisory Chair of the Hawkes Brewing Company. He was previously a director of Dick Smith Holdings, Super Retail Group and Linfox Logistics.

Director
Helen Nash

Appointed 23 April 2015

Most recently elected by shareholders: 24 October 2017

Board Committees: Audit & Risk Committee, People & Culture Committee (Chair), Nomination Committee

Helen Nash has more than 20 years' experience in consumer packaged goods, media and quick service restaurants. As Chief Operating Officer at McDonald's Australia, she oversaw restaurant operations, marketing, menu, insights and research and information technology. This mix of strategic and operational experience allows Helen to bring broad commercial skills and acumen, as well as a consumer focus, to the Board. Helen also brings robust financial skills to her role having initally trained in the UK as a Certified Management Accountant.

Since transitioning to her non-executive career in 2013, Helen has served as a director of companies in a range of industries. She is a director of Metcash Ltd and Inghams Group Limited, and was formally a director of Pacific Brands Ltd and Blackmores Ltd. Our Board benefits from Helen's governance experience and skills, including her membership of audit and remuneration committees at these other companies.

Director
Melanie Willis

Appointed 26 May 2016

Most recently elected by shareholders: 20 October 2016

Board Committees: Audit & Risk Committee (Chair), People & Culture Committee

Melanie has extensive experience in corporate finance, strategy and innovation and investments both in executive and non-executive roles. She has worked in sectors including accounting and finance, infrastructure, property investment management, and retail services (including tourism and start-up ventures). She has held executive roles as CEO of NRMA Investments (and head of strategy and innovation), CEO of a financial services start-up and director of Deutsche Bank, having previously been in corporate finance at Bankers Trust and Westpac.

In her role as Chair of the Audit & Risk Committee, Melanie applies her extensive skills and experience in financial reporting and risk mangement matters. In addition to her broad finance, strategic and commercial skills, Melanie brings valuable governance experience from her roles as a director of Challenger, Paypal Australia and Chief Executive Women and from her former positions as a director of Pepper Group and Ardent Leisure where she also served on audit committees.

Information on Company Secretary

General Counsel and Company Secretary
Tony Hudson

Appointed 7 September 2015

Tony Hudson has over 25 years' experience in senior legal and governance roles. Tony was General Counsel and Company Secretary at ConnectEast from 2005 until 2015. Before that, Tony was a partner of Blake Dawson Waldron (now Ashurst Australia), working in the firm's Melbourne office and from 1993 until 2000 in its Jakarta associated office. Tony manages the Group's national legal and corporate affairs teams, including responsibility for regulatory affairs and board governance.

Meetings of Directors

The number of meetings of the Board of Directors and its committees that were held during the year and the number of meetings attended by each director are summarised in the table below.

The Nomination Committee did not meet formally during the year. Members of the Nomination Committee met informally to discuss Board succession issues during the year.

			Meetings of Committees			
	Board		Audit & Risk		People & Culture	
Director	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]
Peter Bush[2]	6	6	2	*	3	*
Leon Pasternak	7	9	2	*	3	*
Grant Blackley	9	9	4	*	5	*
Glen Boreham	9	9	5	5	5	5
Rob Murray	8	9	1	*	5	5
Helen Nash	9	9	5	5	5	5
Melanie Willis	9	9	5	5	5	5

1 Held refers to the number of meetings held during the time the director held office or was a member of the relevant committee during the year.
2 Peter Bush was granted leave of absence for medical reasons during the year. He was not eligible to attend meetings during his leave of absence.

* Not a member of the relevant committee during the year.

Letter from People & Culture Committee

On behalf of the Board, I am pleased to present the Company's 2019 Remuneration Report. The People & Culture Committee (**PCC**) assists the Board in its oversight of management activities in developing and implementing strategies to improve the Company's culture and diversity, consistent with our values. An important part of the committee's role is to ensure that the Company's remuneration policies are aligned with the creation of value for shareholders, having regard to applicable governance, legal and regulatory requirements and industry standards.

Executive remuneration includes fixed and variable components, comprising short-term incentives (**STI**) and long-term incentives (**LTI**). Having not adjusted the fixed remuneration of the senior leadership team in FY2019, the Board has approved an increase for FY2020 of 2.5% for the CEO and increases of between 2.7% and 3.6% for other executive KMP. The fixed remuneration of the Chief Technology Officer will increase by 6.7% as he transitions over two years to the senior leadership team remuneration structure. In making these changes, the PCC and the Board considered an independent benchmarking report prepared by KPMG and the Board's policy of providing executive reward between the median and 75th percentile of relevant peers.

The Board has also approved changes to the variable components of the remuneration of the Company's senior leadership team, to take effect in FY2020. For executives other than the CEO, the STI component will be increased from 25% to 30% of total remuneration and the LTI component will be decreased from 25% to 20%. For the CEO, the STI and LTI components will each continue to be 30% of total remuneration. Twenty-five percent of any STI award made to the CEO, and 20% of any STI award made to any member of the senior leadership team, will be paid in equity subject to the terms of the Senior Executive Share Ownership Policy. Previously, the STI awards of executives other than the CEO have been made wholly in cash, and 25% of the post-tax amount of the CEO's STI award has been made in equity.

The increased STI portion of incentive remuneration in FY2020 will facilitate payment in equity of a portion of each executive KMP's STI award. That equity will be subject to a disposal restriction until cessation of employment, unless the executive has already met the minimum shareholding required by the Board's Senior Executive Share Ownership Policy. The CEO will be required to accumulate shares with a value at least equivalent to 100% of the CEO's fixed remuneration and other members of the senior leadership team will be required to accumulate shares with a value at least equivalent to 50% of their fixed remuneration. Introduction of a deferred equity component into the STI awards for executive KMPs, coupled with a minimum shareholding policy, will create greater alignment with shareholders.

Unless an executive has achieved the required minimum shareholding at the conclusion of the applicable performance period, any equity received by the executive under the Company's STI plan and 25% of any equity received under the Company's LTI plan will be subject to a disposal restriction for as long as the executive remains employed by the Company. The Board has not prescribed a period within which executives must achieve their minimum shareholding; however, based on existing shareholdings and historical awards made under the LTI and STI plans, the Board anticipates that executives will do so within five years.

The Company's short-term incentive (**STI**) plan applies a balanced scorecard to assessment of the performance of the senior leadership team and other participants in the STI plan. Performance is measured in three categories: profitability and financial performance (40%), high level operational improvements (40%) and cultural and behavioural influences (20%). This recognises the long-term benefits to the organisation of the Company's leaders committing to develop and maintain a strong culture and operational discipline.

The first of these includes Group-wide and individual departmental performance measures, with the Group-wide measures operating as a gateway to any payment in this category. The gateway targets for Group NPAT and EBITDA were achieved during the year. Underlying NPAT grew by 3.1% to $76.2 million and underlying EBITDA grew by 0.9% to $159.9 million. These results reflected a strong sales performance by SCA in a challenging media environment, coupled with disciplined cost controls.

Although Group revenue was up by 0.5% to $660.1 million, the gateway target for Group sales was not achieved, potentially excluding the Chief Sales Officer from receiving any payment for the profitability and financial performance component of the STI plan. On the committee's recommendation, the Board exercised discretion to award the Chief Sales Officer a portion of this STI category. The Board noted that the failure to achieve the Group sales gateway was affected by the general weakness in advertising markets and particularly in regional television markets which represent 31% of the Group's revenue but only 14% of its earnings. Revenue in the Audio segment (comprising metropolitan and regional radio and podcasting) was 2.3% higher at $452.4 million. This achieved the gateway target and reflected an increased commercial share of the radio advertising market for the Group. Considering the influence of general market conditions on the Group's revenue performance and the differing contribution to profitability of Audio and Television, the Board has also accepted the PCC's recommendation that the Group's EBITDA target should operate as the gateway to payment in the profitability and financial performance category for the Chief Sales Officer in FY2020.

With some variations in individual performance, the Board was satisfied that goals relating to operational improvements and cultural and behavioural influences were substantially achieved by all executives. This resulted in ongoing members of the senior leadership team receiving approximately 90% of their total respective STI opportunities. Details of individual outcomes are provided in the Remuneration Report that follows this letter.

The Company's FY2017 long-term incentive (**LTI**) plan partially vested. The Company's adjusted earnings per share (**EPS**) declined from 10.04 cents[1] to 9.61 cents over the three years ended on 30 June 2019, failing to achieve the threshold of 3.0% for vesting of this performance condition. However, the Company's relative total shareholder return (**TSR**) over the same three years was ranked in the 65th percentile, resulting in 78% vesting of this performance condition and 39% vesting overall.

For all other grants now open under the LTI plan (and for grants to be made in FY2020), relative TSR has been replaced as a performance condition by return on invested capital (**ROIC**). EPS continues to be the other equally-weighted performance condition.

In considering both vesting of this year's EPS performance condition and the progress of the other open grants under the LTI plan, the Board exercised discretion about the extent to which particular significant or non-recurring items will be excluded, having regard to the reasons for any particular item. The Board was satisfied that the Company's reported EPS in FY2019 should be adjusted for the purposes of the LTI plan to exclude the impact of the impairment recorded this year against the Company's regional television assets. The impairment was consistent with the ongoing decline in the regional free-to-air television market, while the Company maintained a strong power ratio – which measures the conversion of ratings to revenue – in its regional television markets. The Company's reported EPS in FY2019 was also adjusted to exclude the loss disclosed in the financial report in relation to assets held for resale to Broadcast Australia as part of the outsourcing of the Company's broadcast transmission assets. As noted above, these adjustments did not affect vesting of the EPS performance condition in FY2019.

The vesting range of cumulative annual growth rates (**CAGR**) from 3% to 8% has been retained for the EPS performance condition in the LTI grants for FY2020. Having regard to the Company's media and entertainment business, the Board continues to believe that this vesting range remains appropriate.

The threshold for vesting of the ROIC performance condition in the LTI grants for FY2020 is 8.9% (FY2019: 9.0%)[1], which is the ROIC achieved by the Company in FY2019. The Board applies a consistent principle under which the vesting threshold for each grant should be the ROIC achieved in the immediately preceding year, while ensuring that the vesting threshold is above the Company's weighted average cost of capital. The upper band of the vesting range for LTI grants in FY2020 is 11.3% (FY2019: 11.4%). As for the grants made in FY2018 and FY2019, this is 2.4 percentage points above the vesting threshold for the ROIC performance condition.

Shareholders will recall that impairments and other significant items incurred during the life of an LTI grant will be added back to operating EBIT and Invested Capital in determining ROIC performance. This means that the impairments of $104.7 million and $226.9 million recorded by the Company at 30 June 2018 and 31 December 2018 respectively will be reversed for the purposes of the ROIC calculation for the LTI grants made in FY2019 and FY2020 (to be tested in FY2021 and FY2022 respectively). The fair value loss of $9.2 million on assets held for resale recorded at 30 June 2019 will also be reversed in calculating ROIC for LTI grants to be made in FY2020.

Further details of how ROIC is calculated are provided in the description of the LTI Plan in the Remuneration Report.

Assisted by an independent benchmarking review by KPMG, the Board has resolved to adjust the fees paid to members of the PCC so that they are the same as the fees paid to members of the Board's Audit & Risk Committee. All other aspects of the remuneration of the Company's non-executive directors will be the same in FY2020 as in FY2019.

The Non-Executive Directors Share Ownership Policy requires all non-executive directors to accumulate a minimum shareholding with a value equivalent to the base fee for a non-executive director. Subject to the effect of periodic share price fluctuations, all of the Company's non-executive directors now hold the minimum shareholding required by the Board's policy.

The PCC is confident that the Company's remuneration framework is helping to drive behaviours that will deliver sustainable value for shareholders. The changes to be implemented in the new financial year will further align with that objective. We look forward to your feedback and to welcoming you to our 2019 Annual General Meeting.

Yours faithfully,

Helen Nash
Chairman of the People & Culture Committee

1 Due to the retrospective application of AASB 15, EPS in FY2016 has been restated from 10.12 to 10.04 cents. In addition, the vesting range for the ROIC performance condition in the FY2019 LTI plan has been adjusted to be between 9.0% and 11.4%, instead of the vesting range at the time grants were made under the FY2019 LTI plan of between 8.8% and 11.2%. An appropriate adjustment has also been made to the vesting range for the ROIC performance condition in the FY2018 LTI plan.

1. Overview of FY2019 remuneration

This section provides an overview of the remuneration received by executive KMP and non-executive directors in FY2019.

1.1. Executive KMP

The principles for remuneration of executive KMP are set out in section 2. Details of remuneration paid during the year are provided in sections 3 (Remuneration), 4 (short-term incentives) and 5 (long-term incentives).

This table provides an overview of remuneration received by KMP executives in FY2018 and FY2019.

		Total remuneration		Short-term incentive opportunity		Long-term incentive eligible for vesting[1]	
Name	Year	Amount $	Performance-related proportion %	Awarded %	Forfeited %	Vested %	Forfeited %
Grant Blackley *Chief Executive Officer and Managing Director*	**2019**	**1,869,156**	**36.5**	**90.3**	**9.7**	**71.5**	**28.5**
	2018	2,196,406	46.0	52.0	48.0	–	–
Nick McKechnie *Chief Financial Officer*	**2019**	**795,935**	**29.8**	**90.0**	**10.0**	**71.5**	**28.5**
	2018	890,599	36.6	51.0	49.0	35.9	64.1
John Kelly *Chief Operating Officer*	**2019**	**831,750**	**30.8**	**94.5**	**5.5**	**–**	**–**
	2018	844,938	33.3	50.0	50.0	–	–
Brian Gallagher *Chief Sales Officer*	**2019**	**764,592**	**26.8**	**78.0**	**22.0**	**71.5**	**28.5**
	2018	849,937	35.6	49.0	51.0	–	–
Stephen Haddad[2] *Chief Technology Officer*	**2019**	**465,974**	**19.6**	**94.0**	**6.0**	**–**	**–**
	2018	–	–	–	–	–	–
Guy Dobson[3] *Chief Creative Officer*	**2019**	**853,211**	**(1.3)**	**53.5**	**46.5**	**71.5**	**28.5**
	2018	826,041	17.9	53.0	47.0	35.9	64.1
Total executive KMP	**2019**	**5,580,618**	**26.2**	**83.4**	**16.6**	**71.5**	**28.5**
	2018	5,607,921	36.9	51.0	49.0	35.9	64.1

1 The vested and forfeited proportions of LTI entitlements relate only to those LTI entitlements that were eligible for vesting during the year. In 2018, these were from the FY2014 and FY2015 LTI plans. In FY2019, these were from the FY2016 LTI plan.
2 Stephen Haddad was appointed as Chief Technology Officer and joined the Company's senior leadership team on 1 July 2018. He was not a KMP during FY2018.
3 Guy Dobson ceased employment with the Company on 4 January 2019. The role of Chief Creative Officer remains vacant at the date of this report.

1.2. Non-executive directors

The aggregate remuneration of the Company's non-executive directors during the year was $1,120,500 compared to $1,118,438 in 2018. The principles for remuneration of non-executive directors are set out in section 2. Details of the remuneration of non-executive directors during the year are provided in section 3.

2. Remuneration principles

2.1 Overview of executive remuneration

The Company aims to ensure remuneration is competitive and appropriate for the results delivered. Executive reward is aligned with the achievement of strategic objectives and the creation of value for shareholders, and is informed by market practice for delivery of reward.

Executive remuneration packages include a mix of fixed and variable remuneration. Variable remuneration includes short and long-term incentives. More senior roles in the organisation have a greater weighting towards variable remuneration.

The table below shows the target remuneration mix for executive KMP in 2019 and 2020. The STI portion is shown at target levels and the LTI portion is based on the value granted or to be granted in the relevant year. As explained below in section 2.3.1, the increased portion of incentive remuneration to be applied to the STI plan in 2020 will support the requirement for a portion of an executive KMP's STI awards to be paid in equity that will be subject to a disposal restriction until cessation of employment, unless the executive has already met the minimum shareholding required by the Board's Senior Executive Share Ownership Policy.

	Fixed remuneration		**STI**		**LTI**	
	2019	**2020**	**2019**	**2020**	**2019**	**2020**
Grant Blackley	40%	40%	30%	30%	30%	30%
John Kelly	50%	50%	25%	30%	25%	20%
Nick McKechnie	50%	50%	25%	30%	25%	20%
Brian Gallagher	50%	50%	25%	30%	25%	20%
Stephen Haddad	70%	60%	15%	20%	15%	20%
Guy Dobson	76%	–	12%	–	12%	–

2.2 Fixed remuneration for executive KMP

Fixed remuneration for executives is structured as a total employment package. Executives receive a combination of base pay, superannuation and prescribed non-financial benefits at the executive's discretion. The Company contributes superannuation on behalf of executives in accordance with the superannuation guarantee legislation.

Fixed remuneration is reviewed annually to ensure the executive's pay is competitive and appropriate for the results delivered. There are no guaranteed fixed remuneration increases included in any executive KMP contracts.

2.3 Variable remuneration for executive KMP

2.3.1 Short-term incentives

The table below outlines details of the Company's short-term incentive plan.

What is the incentive?	The STI is an annual "at risk" bonus designed to reward executives for meeting or exceeding financial and non-financial objectives.
How is each executive's entitlement determined?	Each executive is allocated a dollar value (which may be a fixed percentage of the executive's total remuneration) representing the executive's STI opportunity for the year.
How is the incentive delivered?	STI awards for all executives other than the CEO (and, from FY2020, other executive KMP) are paid in cash according to the extent of achievement of the applicable performance measures. No portion of an STI award is subject to deferral. The CEO's STI award is payable partly in cash and partly in equity. The equity component is 25% of the after-tax value of the total STI award. In FY2020, 25% of the CEO's STI award, and 20% of the STI awards of other executive KMP, will be paid in equity, subject to the requirements of the Company's Senior Executive Share Ownership Policy. The Board may elect to pay the STI awards of an executive KMP (other than the CEO) wholly in cash once the executive KMP has accumulated the minimum shareholding required under the Senior Executive Share Ownership Policy.
What are the performance measures and hurdles?	The Board sets the annual KPIs for the CEO near the beginning of each financial year. The KPIs are allocated to three categories having regard to the Company's business strategy: profitability and financial performance (40%), high level operational improvements (40%) and cultural and behavioural influences (20%). The CEO determines the KPIs for the other members of the senior leadership team in the same three categories and having regard to their areas of responsibility. KPIs for the Chief Creative Officer may allocate up to 40% to creative and content performance instead of profitability and financial performance. The metrics that applied under the STI plan in 2019 are summarised below. **Profitability and financial performance/Creative and content performance (40%)** – **Group NPAT compared with budget:** Focuses on financial results and collaboration for the overall benefit of the Group. This financial metric applies for the CEO, CFO and COO. – **Group EBITDA compared with budget:** Focuses on the operating performance of the operating business. This metric applies for the Chief Sales Officer, Chief Creative Officer and Chief Technology Officer. – **Sales-related targets:** Focuses on achieving sustainable financial performance from growing top line revenue. This metric applies for the Chief Sales Officer. – **Radio survey ratings targets:** Revenue and financial performance is heavily dependent on ratings on both radio and television (although, as an affiliate broadcaster, the Company is not responsible for the content of its television broadcasts and has minimal ability to influence television ratings). This metric applies for the Chief Creative Officer (for radio). Profitability and financial performance targets also include targets to ensure non-revenue related costs are closely controlled and to achieve specific corporate strategy projects that improve the asset base. The Board has discretion to adjust budget targets to take into account acquisitions or divestments or other significant items where appropriate for linking remuneration reward to corporate performance. Achievements against financial metrics are based on the Company's audited annual financial statements. The Board has discretion to make adjustments to take into account any significant non-cash items (for example impairment losses), acquisitions and divestments and one-off events/abnormal/non-recurring items, where appropriate for linking remuneration reward to corporate performance. **High level operational performance (40%)** – **Strategy:** Focuses on strategic initiatives (such as network strategy, material contracts and diversification of revenue streams) that deliver growth, improved business performance and shareholder value. – **Operational improvements:** Focuses on effective management of business support functions and infrastructure to sustain and improve long-term earnings performance. **Cultural and behavioural influences (20%)** – **People:** Focuses on maintaining a strong and positive corporate culture, effective leadership and development and retention of talent to sustain and improve long-term earnings performance. – **External relationships:** Focuses on development and maintenance of constructive relationships with key stakeholders to sustain and improve long-term earnings performance.

Is there a gateway?

At least 95% of an executive's financial metrics relating to NPAT or EBITDA must be achieved before any STI is payable under the profitability and financial performance (40%) component of the STI plan. In FY2019, at least 97.5% of an executive's financial metrics for sales had to be achieved before any STI is payable under the profitability and financial performance (40%) component of the STI plan. Sales-related targets will not be used as gateway targets in FY2020. This recognises the significant impact on sales performance of market factors that are beyond the control of management as well as the differing contributions to profitability of Audio and Television assets.

Where the budget for a financial year is less than the previous year's actual result, the applicable financial metric will be the previous year's actual result (excluding any divested assets or non-recurring items).

There is no gateway for metrics in the high level operational improvements (40%) or cultural and behavioural influences (20%) components of the STI plan.

Individual performance must be at a "meets expectations" level before any STI is payable.

What is the maximum amount payable?

The maximum award for non-financial measures under the STI plan is 100% of an executive's STI opportunity for those measures.

The maximum award for financial measures under the STI plan is 100% of an executive's STI opportunity for that measure. In addition, an executive can earn up to 200% of the financial component (40%) of the executive's STI if the Group achieves up to 105% of the Group's NPAT target. An executive's maximum STI opportunity is therefore 140% of target.

Having regard to assumptions underlying the Company's annual budget, the Board considers that achieving 105% of the Group's NPAT target would represent significant outperformance. Any STI award for such outperformance must be self-funding. This means that the outperformance must be achieved after providing for the incremental cost of any STI award.

NPAT/EBITDA	Sales	% of financial STI payable
<95%	<97.5%	0%
95% to 100%	97.5% to 100%	Straight-line between 50% and 100%
100% to 105% NPAT	n/a	Progressive scale between 100% and 200%
>105%	n/a	200%

How is performance assessed?

CEO: At the end of each financial year, with the assistance of the Committee, the Board assesses the actual performance of the Company and the CEO against the applicable KPIs and determines the STI amount payable to the CEO.

Other executive KMP: At the end of the financial year the CEO assesses the actual performance of the Group and the executive KMPs against the applicable KPIs and determines the STI amount payable to each executive. The CEO provides these assessments to the Committee for review.

Cessation of employment

"Bad Leavers" (who resign or are terminated for cause) will forfeit their STI entitlement, unless otherwise determined by the Board or the CEO as appropriate.

The STI payments of executives who cease employment for other reasons are pro-rated for time and performance, unless otherwise determined by the Board.

Change of control

In the event of a change of control before the STI payment date, the STI payment is pro-rated for time and performance, subject to the Board's discretion.

Clawback

The Board may reconsider the level of satisfaction of a performance measure and take steps to reduce the benefit of an STI award to the extent its vesting was affected by fraud, dishonesty, breach of obligation or other action likely to result in long-term detriment to the Company.

Other features

Discretionary elements: The Board (for KMP) and the CEO (for other executives) have discretion to grant additional bonuses for special projects or achievements that are not contemplated in the normal course of business or that have a particular strategic impact for the Company, such as acquisitions and divestments, refinancing, or major capital expenditure projects.

Minimum employment period: Participants must be employed for at least three months in the performance period to be entitled to receive an STI payment.

Equity awards and retention of shares: When a portion of an STI award is paid in equity, the Board has discretion to purchase shares on-market or to issue new shares.

The equity component of the STI award of an executive KMP will be subject to a disposal restriction under the Senior Executive Share Ownership Policy unless the executive has already met the minimum shareholding requirement under that policy.

2.3.2 Long-term incentives

The table below outlines details of the Company's long-term incentive plan.

What is the incentive?

The LTI plan provides executive KMP with grants of performance rights over ordinary shares, for nil consideration. Performance rights granted under the LTI plan are subject to a three-year performance period. From 2017, the LTI plan has also been made available to about 20 executives in the next tiers of management.

How is each executive's entitlement determined?

Each executive is allocated a dollar value (which may be a fixed percentage of the executive's total remuneration) representing the executive's maximum LTI opportunity for the year. This dollar value is converted into a number of performance rights in the LTI plan, based on the face value of performance rights at the applicable grant date. The face value of performance rights is calculated as:

- the weighted average price of the Company's shares for the five trading days commencing seven days after the Company's results for the prior financial year (ended 30 June 2018) are announced to ASX;
  less
- the amount of any final dividend per share declared as payable in respect of the prior financial year (ended 30 June 2018).

How is the incentive delivered?

To the extent that the applicable vesting conditions are satisfied at the end of the three-year performance period, LTI awards are delivered by allocation to participants of one fully paid ordinary share for each performance right that vests. The Board has discretion to settle vested awards in cash.

Twenty-five percent of any shares allocated under the LTI plan to executive KMP will be subject to a disposal restriction until cessation of employment under the Senior Executive Share Ownership Policy unless the executive has accumulated the minimum shareholding required under that policy at the conclusion of the applicable performance period.

What are the performance measures and hurdles?

From 1 July 2017, each grant under the LTI plan has two equally weighted performance hurdles over a three-year period: Return on Invested Capital (**ROIC**) and Absolute Earnings per Share (**EPS**). ROIC has replaced Relative Total Shareholder Return (**TSR**), which, together with Absolute EPS, was the performance hurdle used in LTI grants made before 1 July 2017. This change was made following a review of the LTI plan by Juno Partners, an independent consultant. The Company's ROIC Performance is more within management's sphere of influence than is the Company's Relative TSR Performance, is readily measurable at any time during the performance period of an LTI grant, and therefore provides a more effective incentive for management performance.

Return on Invested Capital Performance hurdle

ROIC measures management's efficiency at allocating the capital under its control to generate profitable returns. To maintain and improve the Company's ROIC, management is required to focus on the quality of earnings and the capital required to deliver improved earnings.

ROIC is calculated as follows:

$$\frac{\text{Operating Earnings Before Interest and Tax } (\textbf{EBIT})}{\text{Invested Capital (Net Debt plus Equity)}}$$

ROIC is defined by reference to factors substantially within management's sphere of influence. Accordingly:

- Operating EBIT is adjusted to exclude the impact of significant or non-recurring items (both income and costs) to provide a fair measure of underlying long-term performance.
- Impairments and other significant items are added back to operating EBIT and Invested Capital. To ensure consistent measurement from year to year, any impairments and other significant items from 1 July 2017 (when ROIC was introduced as a performance condition under the LTI plan) will be added back to the calculation of Invested Capital in each year (impairments and significant items before the introduction of ROIC as a measure on 1 July 2017 are not added back).
- Non-cancellable operating leases are included in Invested Capital.
- Returns are measured pre-tax.
- Invested Capital is measured at the end of each month over the final year of an LTI grant and is averaged for the purposes of calculating ROIC.
- Where applicable, items used to calculate ROIC will be rebased to accommodate changes in accounting standards and policies during the life of an LTI grant.

ROIC performance rights will vest if the Company's ROIC performance in the final year of the performance period is at or above a threshold set by the Board at the time of making the relevant LTI grant. ROIC performance rights granted in FY2020 are eligible to vest according to the following schedule:

ROIC Performance in FY2021	% of allocation that vests
Below 8.9%	Nil
8.9%	50%
8.9% to 11.3%	Straight-line vesting between 50% and 100%
At or above 11.3%	100%

What are the performance measures and hurdles? (continued)

Absolute EPS Performance hurdle (50%)
Performance rights will vest if the Company's adjusted EPS performance over the performance period is at or above a 3% Compound Annual Growth Rate (**CAGR**). Adjusted EPS excludes the impact of significant or non-recurring items (both income and costs) and so provides a fair measure of underlying long-term performance. The Board exercises a discretion about the extent to which particular significant or non-recurring items will be excluded, having regard to the reasons for any particular item.

Adjusted EPS is calculated by dividing the adjusted profit after tax attributable to shareholders for relevant reporting period (reported profit after tax, adjusted for the after-tax effect of significant or non-recurring items) by the weighted average number of ordinary shares on issue in the Company over the relevant reporting period.

Absolute EPS Performance	% of allocation that vests
Below 3% CAGR	Nil
3% CAGR	50%
3% to 8% CAGR	Straight-line vesting between 50% and 100%
At or above 8% CAGR	100%

Relative TSR Performance hurdle (for LTI grants made before 1 July 2017)
TSR provides a comparison of relative shareholder returns that is relevant to most of the Company's investors.

The Relative TSR Performance hurdle takes into account share price appreciation plus reinvested dividends, expressed as a percentage of investment and adjusted for changes in the Company's capital structure.

Performance rights will vest if the Company's TSR over the performance period is at or above the 51st percentile against the constituents of the ASX Consumer Discretionary Index at each grant date, excluding News Corporation.

The comparator group represents a range of alternative companies that shareholders could invest in while maintaining portfolio sector balance. News Corporation has been excluded from each comparative group given the extent of its international business operations.

TSR Performance	% of allocation that vests
Below 51st percentile	Nil
51st percentile	50%
51st to 75th percentile	Straight-line vesting between 50% and 100%
At or above 75th percentile	100%

Is there a gateway?

The ROIC Performance hurdle will be achieved only if the Company's adjusted ROIC performance in the final year of the performance period is at or above a threshold set by the Board at the time of making the relevant LTI grant. The ROIC Performance hurdle for grants made in FY2020 will be achieved if the Company's adjusted ROIC performance in FY2022 is at or above 8.9%.

The Absolute EPS Performance hurdle will be achieved only if the Company's EPS performance over the performance period is at or above 3% CAGR.

The Relative TSR Performance hurdle will be achieved only if the Company's relative TSR over the performance period is at or above the 51st percentile of the comparator group.

What is the maximum amount payable?

The maximum award under the LTI plan is 100% of an executive's grant if all vesting conditions are fully satisfied over the performance period.

How is performance assessed?

The Board will calculate the Company's ROIC and EPS Performance at the end of the performance period for each LTI grant by reference to the Company's accounting records and the Company's audited financial reports. The Company may engage an independent consultant to review or carry out these calculations.

The Group engages Deloitte to report on the Company's TSR ranking within the comparator group as defined in each of the LTI plans at each relevant vesting date.

There is no re-testing of performance hurdles under the LTI plan.

Cessation of employment

"Bad Leavers" (who resign or are terminated for cause) will forfeit any unvested performance rights, unless otherwise determined by the Board.

For executives who cease employment for other reasons, the Board has discretion to vest any unvested performance rights on a pro-rata basis taking into account time and the current level of performance against the performance hurdle, or to hold the LTI award to be tested against performance hurdles at the end of the original vesting period.

Change of control

In the event of a change of control before vesting of an LTI award, the Board has discretion as to how to treat the unvested award, including to determine that the award will vest or lapse in whole or in part, or that it will continue subject to the same or different conditions.

Clawback	The Board may reconsider the level of satisfaction of a performance hurdle and take steps to reduce the benefit of an LTI award to the extent its vesting was affected by fraud, dishonesty, breach of obligation or other action likely to result in long-term detriment to the Company.
Other features	**Treatment of dividends:** There are no dividends payable to participants on unvested performance rights. Once performance rights have vested to fully paid ordinary shares, the participant will be entitled to dividends on these shares. **Sourcing of shares:** The Board has discretion to purchase shares on-market or to issue new shares in respect of vested performance rights. **Retention of shares:** The rules of the LTI plan do not require participants to retain any shares allocated to them upon vesting of performance rights. However, the Company's Senior Executive Share Ownership Policy imposes a disposal restriction until cessation of employment on 25% of the shares allocated to an executive KMP upon vesting of performance rights unless the executive has already met the minimum shareholding requirement under that policy.

2.4 Consequences of performance on shareholder value

In considering the Group's performance and the benefits for shareholder value, the Board has regard to the following indicators in the current financial year and the preceding four financial years.

	30 June 2019 $'000	Restated[3] 30 June 2018 $'000	Restated[3] 30 June 2017 $'000	Restated[3] 30 June 2016 $'000	30 June 2015 $'000
Revenue	**660,088**	656,784	691,021	641,129	611,120
EBITDA	**147,382**	158,439	181,170	169,296	163,262
EBITDA%	***22.3%***	*24.1%*	*26.2%*	*26.4%*	*26.7%*
Net profit before tax	**(129,475)**	2,519	125,747	113,334	(265,216)
Net profit after tax ("NPAT")	**(91,395)**	82	107,169	76,657	(284,950)
NPAT%	***(13.8%)***	*0.0%*	*15.5%*	*12.0%*	*(46.6%)*
Net profit after tax excluding significant items	**73,879**	73,932	107,169	76,653	64,783
NPAT % excluding significant items	***11.2%***	*11.3%*	*15.5%*	*12.0%*	*10.6%*
EPS (cents)[1]	**9.61**	9.61	12.02	10.04	8.93
ROIC[2]	**8.9%**	9.0%	10.4%	9.2%	n/a
	30 June 2019	**30 June 2018**	**30 June 2017**	**30 June 2016**	**30 June 2015**
Opening share price	**$1.31**	$1.25	$1.25	$0.97	$1.07
Closing share price	**$1.25**	$1.31	$1.25	$1.25	$0.97
Dividend/Distribution	**7.75c**	7.75c	7.25c	6.25c	6.0c

1 EPS is shown after adjustments to exclude the impact of significant or non-recurring items (both income and costs) as approved by the Board for the purposes of the Company's LTI plan.
2 ROIC is calculated in accordance with the principles outlined in section 2.3.2. It has not been calculated for periods prior to the introduction of the scheme in 2016.
3 Comparative figures have been restated to conform to changes in presentation in the current year and for the impact of adoption of AASB 15 *Revenue from contracts with customers.*

2.5 Executive service contracts

The Company has entered into service contracts setting out the terms of employment of each executive KMP. All service contracts are for an indefinite term, subject to termination by either party on six months' notice. Each executive service contract provides for the payment of base salary and participation in the Company's STI and LTI plans, along with other prescribed non-monetary benefits.

2.6 Services from remuneration consultants

Deloitte was engaged during the year to assess the performance of the Company's LTI plans as at each vesting date and, for this purpose, to determine the Group's TSR ranking within the comparator group over the applicable performance periods. Deloitte was paid $3,000 for these services.

KPMG was engaged by the People & Culture Committee during the year to advise on a range of matters. This included provision of data in relation to the market positioning of the remuneration of the Company's executive KMP and its non-executive directors, advice about market practice for share ownership by executive KMP and associated tax advice. KPMG did not make any remuneration recommendations (as defined in the Corporations Act.) KPMG was paid $41,000 for these services.

2.7 Remuneration of non-executive directors

The Company enters into a letter of appointment with each non-executive director. The letter sets out the Board's expectations for non-executive directors and the remuneration payable to non-executive directors.

The maximum annual aggregate fee pool for non-executive directors is $1,500,000. This was approved by shareholders at the 2011 Annual General Meeting.

The Chair and the Deputy Chair receive a fixed aggregate fee. Other non-executive directors receive a base fee for acting as a director and additional fees for participation as Chair or as a member of the Board's committees. Non-executive directors do not receive performance-based fees and are not entitled to retirement benefits as part of their fees.

The table below sets out the fees for non-executive directors that applied in 2018 and 2019 and those that will apply in 2020.

	2018 $	2019 $	2020 $
Base fees – Annual			
Chair[1]	273,000	**273,000**	273,000
Deputy Chair[1]	176,000	**176,000**	176,000
Other Non-Executive Directors	136,500	**136,500**	136,500
Committee fees – Annual			
Audit & Risk Committee – Chair[1]	23,000	**23,000**	23,000
Audit & Risk Committee – member	15,500	**15,500**	15,500
People & Culture Committee – Chair[1]	16,500	**16,500**	23,000
People & Culture Committee – member	11,000	**11,000**	15,500
Nomination Committee – Chair[1]	16,500	**16,500**	16,500
Nomination Committee – member	11,000	**11,000**	11,000

1 The Chair and Deputy Chair do not receive any additional fees for committee work. Accordingly, the fees set out above for Chair of the Nomination Committee were not paid during 2018 or 2019 and will not be paid during 2020.

3. Remuneration of executive KMP and directors during the year

3.1 Total remuneration received by Executive KMP in FY2019 (non-statutory disclosures)

The remuneration in the table below is aligned to the current performance periods and provides an indication of alignment between the remuneration received in the current year and its alignment with long-term performance. The amounts in this table will not reconcile with those provided in the statutory disclosures in section 3.2. For example, the executive KMP table in section 3.2 discloses the value of LTI grants which might or might not vest in future years, while the table below discloses the value of LTI grants from previous years which vested in FY2019.

Executive KMP	Year	Cash salary and fees $	STI bonus $	Non-monetary benefits $	Super-annuation benefits $	LTI vested in the year[2] $	Total $
Grant Blackley	**2019**	**1,147,976**	**750,227**	**5,025**	**20,531**	**489,272**	**2,413,031**
Chief Executive Officer and Managing Director	2018	1,143,627	405,000	4,428	20,049	–	1,573,104
Nick McKechnie	**2019**	**525,251**	**245,554**	**3,498**	**20,531**	**244,636**	**1,039,470**
Chief Financial Officer	2018	523,107	140,140	2,799	20,049	90,346	776,441
John Kelly	**2019**	**541,651**	**265,489**	**5,025**	**20,531**	**–**	**832,696**
Chief Operating Officer	2018	539,440	140,600	4,428	20,049	–	704,517
Brian Gallagher	**2019**	**525,251**	**212,995**	**5,025**	**20,531**	**163,089**	**926,891**
Chief Sales Officer	2018	523,106	132,860	4,428	20,049	–	680,443
Stephen Haddad[1]	**2019**	**349,249**	**75,200**	**5,025**	**20,531**	**–**	**450,005**
Chief Technology Officer	2018	–	–	–	–	–	–
Guy Dobson	**2019**	**1,005,523**	**26,733**	**2,532**	**15,399**	**163,089**	**1,213,276**
Chief Content Officer	2018	633,530	53,333	4,428	20,049	60,231	771,571
Total Executive KMP	**2019**	**4,094,901**	**1,576,198**	**26,130**	**118,054**	**1,060,086**	**6,875,369**
	2018	3,362,810	871,933	20,511	100,245	150,577	4,506,076

1 Stephen Haddad was not an Executive KMP in 2018.
2 The LTI entitlements that vested during the year were from the FY2017 LTI plan.

3.2 Total remuneration received by Executive KMP in FY2019 (statutory disclosure)

The table below sets out the nature and amount of each major element of the remuneration of each Executive KMP in 2019 and 2018.

		Short-term employee benefits				Post-employment	Long Service Leave[1]	Termination benefits	Share-based payments	Total	Performance-related proportion
Executive KMP	Year	Salary and fees $	STI bonus[2] $	Non-monetary $	Total $	Super contribution $	$	$	Performance rights[3] $	$	%
Grant Blackley *Chief Executive Officer and Managing Director*	**2019**	**1,147,976**	**750,227**	**5,025**	**1,903,228**	**20,531**	**12,530**	**–**	**(67,133)**	**1,869,156**	**36.5**
	2018	1,143,627	405,000	4,428	1,553,055	20,049	18,429	–	604,873	2,196,406	46.0
Nick McKechnie *Chief Financial Officer*	**2019**	**525,251**	**245,554**	**3,498**	**774,303**	**20,531**	**9,102**	**–**	**(8,001)**	**795,935**	**29.8**
	2018	523,107	140,140	2,799	666,046	20,049	18,344	–	186,160	890,599	36.6
John Kelly *Chief Operating Officer*	**2019**	**541,651**	**265,489**	**5,025**	**812,165**	**20,531**	**8,389**	**–**	**(9,335)**	**831,750**	**30.8**
	2018	539,440	140,600	4,428	684,468	20,049	–	–	140,421	844,938	33.3
Brian Gallagher *Chief Sales Officer*	**2019**	**525,251**	**212,995**	**5,025**	**743,271**	**20,531**	**9,107**	**–**	**(8,317)**	**764,592**	**26.8**
	2018	523,106	132,860	4,428	660,394	20,049	–	–	169,494	849,937	35.6
Stephen Haddad[4] *Chief Technology Officer*	**2019**	**349,249**	**75,200**	**5,025**	**429,474**	**20,531**	**–**	**–**	**15,969**	**465,974**	**19.6**
	2018	–	–	–	–	–	–	–	–	–	–
Guy Dobson[5] *Chief Creative Officer*	**2019**	**325,947**	**26,733**	**2,532**	**355,212**	**15,399**	**(159,212)**	**679,576**	**(37,764)**	**853,211**	**(1.3)**
	2018	633,530	53,333	4,428	691,291	20,049	19,770	–	94,931	826,041	17.9
Total Executive KMP	**2019**	**3,415,325**	**1,576,198**	**26,130**	**5,017,653**	**118,054**	**(120,084)**	**679,576**	**(114,581)**	**5,580,618**	**26.2**
	2018	3,362,810	871,933	20,511	4,255,254	100,245	56,543	–	1,195,879	5,607,921	36.9

1 Long service leave relates to amounts accrued during the year.
2 The STI bonus is for performance during the year using the criteria set out in section 2.3.1. The amount was finally determined by the Board on 21 August 2019 after considering recommendations of the People & Culture Committee.
3 The value of the performance rights granted during the year was determined as the face value of the performance rights at the grant date. The method of calculating the face value of performance rights is explained in section 2.3.2. The value disclosed is the portion of the face value of the rights recognised as an expense in each reporting period.
4 Stephen Haddad was appointed Chief Technology Officer with effect from 1 July 2018. He was not an Executive KMP in 2018.
5 Guy Dobson ceased employment with effect from 4 January 2019. Termination Benefits includes accrued Annual Leave and Long Service Leave. The position of Chief Creative Officer remains vacant at the date of this report.

3.3 Non-executive directors

The table below sets out the nature and amount of each major element of the remuneration of each non-executive director in 2019 and 2018.

		Short-term employee benefits			Post-employment	Total
Non-executive director	**Year**	**Salary and fees $**	**Non-monetary $**	**Total $**	**Super contribution $**	**$**
Peter Bush	**2019**	**252,469**	**–**	**252,469**	**20,531**	**273,000**
Chairman	2018	252,951	–	252,951	20,049	273,000
Leon Pasternak	**2019**	**160,732**	**–**	**160,732**	**15,268**	**176,000**
Deputy Chairman	2018	160,732	–	160,732	15,268	176,000
Glen Boreham	**2019**	**148,860**	**–**	**148,860**	**14,140**	**163,000**
Non-executive director	2018	145,510	–	145,510	13,823	159,333
Rob Murray	**2019**	**144,748**	**–**	**144,748**	**13,752**	**158,500**
Non-executive director	2018	148,186	–	148,186	13,752	161,938
Helen Nash	**2019**	**163,928**	**–**	**163,928**	**15,572**	**179,500**
Non-executive director	2018	162,253	–	162,253	15,414	177,667
Melanie Willis	**2019**	**155,708**	**–**	**155,708**	**14,792**	**170,500**
Non-executive director	2018	155,708	–	155,708	14,792	170,500
	2019	**1,026,445**	**–**	**1,026,445**	**94,055**	**1,120,500**
Total	2018	1,025,340	–	1,025,340	93,098	1,118,438

4. Analysis of short-term incentives included in remuneration

4.1 STI performance outcomes

The table below summaries the KPIs applicable for each KMP for FY2019 and the performance achieved.

	Profitability and financial performance		High level operational improvements		Cultural and behavioural influences	
	40%		40%		20%	
KMP	**Measure**	**Performance**	**Measure**	**Performance**	**Measure**	**Performance**
Grant Blackley	Group NPAT Group costs	34.5 % achieved	Deliver corporate strategy; maintain high cash conversion; deliver workforce planning efficiencies; drive increased national advertising in regional markets; consolidate Hit and Triple M Network ratings gains.	35.8 % achieved	Maintain succession planning for KMP executives; improve on 2016 cultural audit results; enhance reputaton with investors, financiers and other influencers.	20.0 % achieved
Nick McKechnie	Group NPAT Group costs	34.5 % achieved	Deliver corporate strategy; realise targeted workforce planning efficiencies; maintain high cash conversion; deliver material structural change in finance team.	38.8 % achieved	Improve on 2016 cultural audit results; enhance reputation with investors, financiers and other influencers; develop CFO network to influence advertising investment strategies.	16.7 % achieved
John Kelly	Group NPAT Non-revenue related costs	34.5 % achieved	Deliver corporate strategy; implement new national management structure; lead and management workforce planning initiatives to realise targeted efficiencies; lead maturation of PodcastOne.	40.0 % achieved	Improve on 2016 cultural audit results; maintain succession planning for direct reports; develop initiatives and operational workflows to align with corporate strategy.	20.0 % achieved
Brian Gallagher	Group EBITDA Group revenue Sales dept costs	22.0 % achieved	Drive growth in volume and yield of national advertising in regional markets; Metro radio power ratio; effective implmentation of Salesforce; improve monetisation of premium sporting rights; improve yield on Brandworks local advertising in regional markets.	36.0 % achieved	Maintain succession planning for direct reports including to monitor diversity; ensure commitment to corporate goals for diversity, future workplace and innovation; improve on 2016 cultural audit results.	20.0 % achieved
Stephen Haddad	Group EBITDA Non-revenue related Technology costs	34.0 % achieved	Lead new TV playout solution; design and implement a "right-sized" technology plan for the business; ensure project management and procurement functions deliver target efficiencies; effective implementation of Salesforce.	40.0 % achieved	Maintain succession planning for direct reports including to monitor diversity; ensure commitment to corporate goals for diversity, future workplace and innovation; improve on 2016 cultural audit results.	20.0 % achieved
Guy Dobson[1]	Group EBITDA Non-revenue related Content costs	26.8 % achieved	2DayFM Breakfast performance; grow Triple M all people 25-54 audience; growth in digital radio audience; grow radio app usage; ensure Content team embraces Hubble talent development portal.	14.0 % achieved	Maintain succession planning for direct reports including to monitor diversity; ensure commitment to corporate goals for diversity, future workplace and innovation; improve on 2016 cultural audit results.	12.7 % achieved

1 Guy Dobson's STI payment was pro-rated to reflect the date of his cessation of employment on 4 January 2019.

4.2 Vesting of STI awards

The table below sets out details of the short-term incentive bonus payments awarded as remuneration to Executive KMP for the year.

	Short-term incentive bonus				
		% achieved in year			
KMP	Included in remuneration[1] $	Profitability and financial performance[4]	High level operational improvements	Cultural and behavioural influences	% forfeited in year[2]
Grant Blackley	750,227	34.5%	35.8%	20.0%	9.7%
Nick McKechnie	245,554	34.5%	38.8%	16.7%	10.0%
John Kelly	265,489	34.5%	40.0%	20.0%	5.5%
Brian Gallagher	212,995	22.0%	36.0%	20.0%	22.0%
Stephen Haddad	75,200	34.0%	40.0%	20.0%	6.0%
Guy Dobson[3]	26,733	26.8%	14.0%	12.7%	46.5%

1 Amounts included in remuneration for the year represent the amounts related to the year based on achievement of corporate and personal goals for each executive. These amounts were approved by the Board on 21 August 2019.
2 The amounts forfeited are due to corporate and personal goals not being achieved in the year.
3 The first performance measure was based on Creative and Content performance for Guy Dobson. He ceased employment with effect from 4 January 2019. His STI award was pro-rated to reflect the portion of the year for which he was employed by the Company.
4 Because budget targets were not achieved, the Board did not award any of the stretch opportunity of up to 105% available for the profitability and financial performance component of the STI plan.

5. Share-based incentive payments

All references to rights in this section are to performance rights over fully paid ordinary shares in the Company issued under the Company's LTI plan. Rights are convertible into fully paid ordinary shares in the Company on a one-for-one basis upon vesting in accordance with the Company's LTI plan. There are no options on issue under the Company's LTI plan.

5.1 Rights granted as remuneration during the year

The tables below set out details of the rights over shares granted as remuneration to each KMP under the Company's LTI plan during the year.

KMP	Number of rights granted
Grant Blackley	621,820
Nick McKechnie	204,280
John Kelly	210,266
Brian Gallagher	204,280
Stephen Haddad	59,862
Guy Dobson	74,828

Details for all rights granted in financial year

	ROIC	Absolute EPS
Grant Date	14 September 2018	14 September 2018
Face value at grant date	$1.3364	$1.3364
Vesting date	30 June 2021	30 June 2021

All rights expire on the earlier of their vesting date or termination of the executive's employment on a pro-rata basis. The rights vest at the end of the third financial year after their grant. This is 30 June 2021 for all rights granted in the year. In addition to a continuing employment condition, vesting is conditional on the Group achieving specified performance hurdles. Details of the performance hurdles are included in the discussion of the LTI plan in section 2.3.2.

5.2 Details of equity incentives affecting current and future remuneration

The table below sets out the vesting profiles of rights held by each KMP as at 30 June 2019 and details of rights that vested during the year. At the end of the year, there were no rights that had vested and which had not been exercised by conversion to fully paid ordinary shares.

Name	Grant Date	Vesting Date	No. of Perf Rights Granted	Value of Perf Rights at Grant Date[1] $	No. of Perf Rights Vested and Exercised During the Year	Vested and Exercised %	No. of Perf Rights Forfeited During the Year[2]	Forfeited %[2]	No. of Perf Rights Remaining at Year End	Value of Perf Rights yet to Vest $
Grant Blackley	FY19 Plan	01/07/2021	621,820	831,000	–	–	–	–	621,820	831,000
	FY18 Plan	01/07/2020	660,993	831,000	–	–	–	–	660,993	831,000
	FY17 Plan	01/07/2019	764,151	810,000	–	–	–	–	764,151	810,000
	FY16 Plan	01/07/2018	491,803	300,000	351,640	71.50%	140,263	28.50%	–	–
	Total		**2,538,767**	**2,772,000**	**351,640**	**71,50%**	**140,263**	**28.50%**	**2,046,964**	**2,472,000**
Nick McKechnie	FY19 Plan	01/07/2021	204,280	273,000	–	–	–	–	204,280	273,000
	FY18 Plan	01/07/2020	217,149	273,000	–	–	–	–	217,149	273,000
	FY17 Plan	01/07/2019	166,981	177,000	–	–	–	–	166,981	177,000
	FY16 Plan	01/07/2018	245,902	150,000	175,820	71.50%	70,082	28.50%	–	–
	Total		**834,312**	**873,000**	**175,820**	**71.50%**	**70,082**	**28.50%**	**588,410**	**723,000**
John Kelly	FY19 Plan	01/07/2021	210,266	281,000	–	–	–	–	210,266	281,000
	FY18 Plan	01/07/2020	223,513	281,000	–	–	–	–	223,513	281,000
	FY17 Plan	01/07/2019	172,642	183,000	–	–	–	–	172,642	183,000
	Total		**606,421**	**745,000**	**–**	**–**	**–**	**–**	**606,421**	**745,000**
Brian Gallagher	FY19 Plan	01/07/2021	204,280	273,000	–	–	–	–	204,280	273,000
	FY18 Plan	01/07/2020	217,149	273,000	–	–	–	–	217,149	273,000
	FY17 Plan	01/07/2019	166,981	177,000	–	–	–	–	166,981	177,000
	FY16 Plan	01/07/2018	163,934	100,000	117,212	71.50%	46,722	28.50%	–	–
	Total		**752,344**	**823,000**	**117,212**	**71.50%**	**46,722**	**28.50%**	**588,410**	**723,000**
Guy Dobson[3]	FY19 Plan	01/07/2021	74,828	100,000	–	–	–	–	74,828	100,000
	FY18 Plan	01/07/2020	79,542	100,000	–	–	–	–	79,542	100,000
	FY17 Plan	01/07/2019	94,340	100,000	–	–	–	–	94,340	100,000
	FY16 Plan	01/07/2018	163,934	100,000	117,212	71.50%	46,722	28.50%	–	–
	Total		**412,644**	**400,000**	**117,212**	**71.50%**	**46,722**	**28.50%**	**248,710**	**300,000**
Stephen Haddad	FY19 Plan	01/07/2021	59,862	80,000	–	–	–	–	59,862	80,000
	FY18 Plan	01/07/2020	23,863	30,000	–	–	–	–	23,863	30,000
	Total		**83,725**	**110,000**	**–**	**–**	**–**	**–**	**83,725**	**110,000**

1 The value of rights granted is the face value of rights (for grants made on or after 1 July 2017) or the fair value of rights (for grants made before 1 July 2017) calculated at the grant date. The total value of rights granted in the table is allocated to remuneration over the vesting period.

2 The number and percentage of rights forfeited during the year is the reduction from the maximum number of rights available to vest due to the performance criteria not being satisfied.

3 A portion of Guy Dobson's performance rights were forfeited upon cessation of employment on 4 January 2019.

5.3 Vesting of rights during the year (as at 1 July 2018)

Performance rights granted under the FY2016 LTI plan were tested in August 2018, following approval of the Company's financial report for the year ended 30 June 2018. There were two equally-weighted performance conditions for these rights: the Company's relative TSR performance against companies in the comparator group over the performance period and the Company's EPS performance over the performance period. A report provided by Deloitte confirmed that the Company's relative TSR performance exceeded the 50th percentile vesting gateway, resulting in partial vesting. The EPS performance condition was also satisfied because the Company's EPS grew at a CAGR of 3.10% over the performance period. This was above the vesting gateway of 3%, resulting in partial vesting. These outcomes are shown below.

FY2016 LTI plan	TSR percentile ranking/EPS CAGR	% vested	50% weighting
Relative TSR performance	71st percentile	92%	46.0%
Absolute EPS performance	3.10%	51%	25.5%
Total			**71.50%**

5.4 Vesting of rights as at 1 July 2019

Performance rights granted under the FY2017 LTI plan were tested in August 2019, following approval of the Company's financial report for the year ended 30 June 2019. There were two equally-weighted performance conditions for these rights: the Company's relative TSR performance against companies in the comparator group over the performance period and the Company's EPS performance over the performance period. A report provided by Deloitte confirmed that the Company's relative TSR performance exceeded the 50th percentile vesting gateway, resulting in partial vesting. The EPS performance condition was not satisfied because the Company's adjusted EPS declined over the performance period from 10.04 cents in FY2016 to 9.61 cents in FY2019, failing to achieve the vesting gateway of 3%. These outcomes are shown below.

The grants that have vested will be included in the remuneration of participating executives in 2019.

FY2017 LTI plan	TSR percentile ranking/EPS CAGR	% vested	50% weighting
Relative TSR performance	64th percentile	78%	39%
Absolute EPS performance	(1.4%)	0%	0%
Total			**39%**

6. Payments to executives before taking office

There were no payments made during the year to any person as part of the consideration for the person taking office.

7. Transactions with KMP

7.1 Loans to KMP

There were no significant loans made to KMP or their related parties during the year.

7.2 Other transactions and balances with KMP

There were no other transactions with KMP or their related parties during the year.

8. KMP shareholdings

The table below sets out the movements in shares held directly or indirectly by KMP during the year.

	Balance at start of year	Received during the year: On exercise of LTI performance rights	Received during the year: Under STI Plan	Other changes during the year	Balance at end of year
Non-executive directors					
Peter Bush	130,000	–	–	–	130,000
Leon Pasternak	1,185,215	–	–	–	1,185,215
Glen Boreham	123,500	–	–	–	123,500
Rob Murray	87,248	–	–	20,000	107,248
Helen Nash	98,324	–	–	6,676	105,000
Melanie Willis	94,670	–	–	15,000	109,670
	1,718,957	–	–	41,676	1,760,633
Executives					
Grant Blackley	71,700	351,640	42,585	(243,426)	222,499
Nick McKechnie	110,609	175,820	–	(100,000)	186,429
John Kelly	–	–	–	29,500	29,500
Brian Gallagher	–	117,212	–	(47,000)	70,212
Stephen Haddad	7,500	–	–	–	7,500
Guy Dobson[1]	46,154	117,212	–	–	163,366
	235,963	761,884	42,585	(360,926)	679,506

1 Guy Dobson's holdings shown as at the date of cessation of employment on 4 January 2019.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration, as required under s307C of the *Corporations Act 2001*, is set out on page 47.

This report is signed in accordance with resolutions of the Directors of Southern Cross Media Group Limited.

Peter Bush
Chairman
Southern Cross Media Group Limited
Sydney, Australia
22 August 2019

Leon Pasternak
Deputy Chairman
Southern Cross Media Group Limited
Sydney, Australia
22 August 2019

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Southern Cross Media Group Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Southern Cross Media Group Limited and the entities it controlled during the period.

Sam Lobley
Partner
PricewaterhouseCoopers

Melbourne
22 August 2019

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

STATEMENT OF COMPREHENSIVE INCOME

FOR YEAR ENDED 30 JUNE 2019

	Note	Consolidated 2019 $'000	Consolidated Restated 2018 $'000
Revenue from continuing operations	3	**660,088**	656,784
Broadcast and production costs		**(123,600)**	(126,393)
Employee expenses		**(205,536)**	(202,243)
Selling costs		**(78,838)**	(78,955)
Occupancy costs		**(30,631)**	(27,533)
Promotions and marketing		**(16,766)**	(18,455)
Administration costs		**(49,877)**	(46,987)
Fair value loss on assets held for sale	4	**(9,223)**	–
Other Income	5	**1,046**	1,069
Share of net profit/(losses) of investments accounted for using the equity method	19	**719**	1,152
Profit before depreciation, amortisation, interest, impairment, fair value movements on financial derivatives and income tax expenses for the year from continuing operations		**147,382**	158,439
Depreciation and amortisation expense		**(30,643)**	(30,718)
Impairment of intangibles and investments	4	**(226,883)**	(104,708)
Interest expense and other borrowing costs	17	**(20,179)**	(21,300)
Interest revenue		**848**	806
Profit/(loss) before income tax expense for the year from continuing operations		**(129,475)**	2,519
Income tax credit/(expense) from continuing operations	6	**38,080**	(2,437)
Profit/(loss) from continuing operations after income tax expense for the year		**(91,395)**	82
Other comprehensive income that may be reclassified to profit or loss:			
Changes to fair value of cash flow hedges, net of tax		**(4,275)**	826
Total comprehensive profit/(loss) for the year attributable to shareholders		**(95,670)**	908
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	15	**(11.88)**	0.01
Diluted earnings per share (cents)	15	**(11.88)**	0.01

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	Consolidated 2019 $'000	Consolidated Restated 2018 $'000
Current assets			
Cash and cash equivalents		**32,387**	56,052
Receivables	12	**135,973**	136,714
Current tax asset		**1,527**	–
Assets held for sale	7	**15,000**	–
Total current assets		**184,887**	192,766
Non-current assets			
Receivables	12	**1,419**	1,617
Investments accounted for using the equity method	19	**9,015**	7,740
Property, plant and equipment	8	**104,472**	130,607
Intangible assets	9	**917,960**	1,144,744
Total non-current assets		**1,032,866**	1,284,708
Total assets		**1,217,753**	1,477,474
Current liabilities			
Payables	12	**68,137**	66,640
Deferred Income	12	**4,729**	6,718
Provisions	12	**17,073**	18,138
Borrowings	17	**–**	19
Current tax liabilities		**–**	2,476
Total current liabilities		**89,939**	93,991
Non-current liabilities			
Deferred Income	12	**93,689**	95,192
Provisions	12	**9,119**	7,966
Borrowings	17	**323,524**	357,601
Deferred tax liability	6	**259,537**	330,068
Derivative financial instruments	18	**7,529**	1,419
Total non-current liabilities		**693,398**	792,246
Total liabilities		**783,337**	886,237
Net assets		**434,416**	591,237
Equity			
Contributed equity	16	**1,379,736**	1,379,736
Reserves		**496**	5,601
Other equity transaction	16	**(77,406)**	(77,406)
Accumulated losses		**(868,708)**	(716,992)
Equity attributable to equity holders		**434,118**	590,939
Non-controlling interest		**298**	298
Total equity		**434,416**	591,237

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR YEAR ENDED 30 JUNE 2019

2019	Contributed equity $'000	Share-based payment reserve $'000	Hedge reserve $'000	Other equity transactions $'000	(Accumulated losses)/ retained profits $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Total equity at 1 July 2018	1,379,736	6,595	(994)	(77,406)	(716,992)	590,939	298	591,237
Loss for the year	–	–	–	–	(91,395)	(91,395)	–	(91,395)
Other comprehensive income	–	–	(4,275)	–	–	(4,275)	–	(4,275)
Total comprehensive income	–	–	(4,275)	–	(91,395)	(95,670)	–	(95,670)
Transactions with equity holders in their capacity as equity holders:								
Employee share entitlements	–	(270)	–	–	–	(270)	–	(270)
Payments on maturity of Long-Term Incentive Plan		(560)	–	–	(722)	(1,282)	–	(1,282)
Dividends paid					(59,599)	(59,599)	–	(59,599)
	–	(830)	–	–	(60,321)	(61,151)	–	(61,151)
Total equity at 30 June 2019	1,379,736	5,765	(5,269)	(77,406)	(868,708)	434,118	298	434,416

2018	Contributed equity $'000	Share-based payment reserve $'000	Hedge reserve $'000	Other equity transactions $'000	(Accumulated losses)/ retained profits $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Total equity at 1 July 2017	1,379,736	5,671	(1,820)	(77,406)	(655,382)	650,799	298	651,097
Impact of adoption of accounting standard AASB 15 *Revenue from contracts with customers*	–	–	–	–	(1,984)	(1,984)	–	(1,984)
Revised total equity at 1 July 2017	1,379,736	5,671	(1,820)	(77,406)	(657,366)	648,815	298	649,113
Profit for the year	–	–	–	–	82	82	–	82
Other comprehensive income	–	–	826	–	–	826	–	826
Total comprehensive income	–	–	826	–	82	908	–	908
Transactions with equity holders in their capacity as equity holders:								
Employee share entitlements	–	1,102	–	–	–	1,102	–	1,102
Payments on maturity of Long-Term Incentive Plan	–	(178)	–	–	(109)	(287)	–	(287)
Dividends paid	–	–	–	–	(59,599)	(59,599)	–	(59,599)
	–	924	–	–	(59,708)	(58,784)	–	(58,784)
Total equity at 30 June 2018	1,379,736	6,595	(994)	(77,406)	(716,992)	590,939	298	591,237

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

STATEMENT OF CASH FLOWS

FOR YEAR ENDED 30 JUNE 2019

	Note	Consolidated 2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		**714,967**	718,923
Payments to suppliers and employees		**(570,052)**	(574,794)
Interest received from external parties		**848**	806
Tax paid		**(34,621)**	(34,777)
Net cash inflows from operating activities	11	**111,142**	110,158
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		**(28,299)**	(24,828)
Payments for purchase of intangibles		**(99)**	(116)
Proceeds from sale of property, plant and equipment		**615**	1,144
Proceeds from sale of operations and assets		**932**	11,069
Dividends received from equity accounted investments		**540**	–
Net cash flows used in investing activities		**(26,311)**	(12,731)
Cash flows from financing activities			
Dividends paid to security holders		**(59,599)**	(59,599)
Payments for debt financing		**–**	(1,828)
Repayment of borrowings from external parties		**(35,000)**	(10,000)
Interest paid to external parties		**(13,878)**	(18,717)
Payments for finance leases		**(19)**	(209)
Net cash flows used in financing activities		**(108,496)**	(90,353)
Net increase/(decrease) in cash and cash equivalents		**(23,665)**	7,074
Cash assets at the beginning of the year		**56,052**	48,978
Cash assets at the end of the year		**32,387**	56,052

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2019

Key Numbers	Capital Management	Group Structure	Other
1. Summary of Significant Accounting Policies	13. Capital Management Objectives	19. Non-Current Assets – Investments Accounted for Using the Equity Method	22. Share-Based Payments
2. Segment Information	14. Dividends Paid and Proposed	20. Subsidiaries	23. Remuneration of Auditors
3. Revenue	15. Earnings per Share	21. Parent Entity Financial Information	24. Related Party Disclosures
4. Significant Items	16. Contributed Equity and Reserves		25. Leases and Other Commitments
5. Other Income	17. Borrowings		26. Events Occurring after Balance Date
6. Income Tax Expense	18. Financial Risk Management		27. Other Accounting Policies
7. Assets held for sale			
8. Non-Current Assets – Property, Plant and Equipment			
9. Non-Current Assets – Intangible Assets			
10. Impairment			
11. Cash Flow Information			
12. Receivables, Payables, Deferred Income and Provisions			

Key Numbers

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. In addition, significant and other accounting policies that summarise the measurement basis used and that are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Southern Cross Media Group Limited ("the Company") and its subsidiaries ("the Group").

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001 (where applicable). The Group is a for-profit entity for the purpose of preparing the financial statements.

Information in respect of the parent entity in this financial report relates to Southern Cross Media Group Limited.

i) Compliance with IFRS

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Consequently this financial report has also been prepared in accordance with and complies with IFRS as issued by the IASB.

ii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss. All amounts are presented in Australian dollars, unless otherwise noted.

iii) Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year and for the impact of adoption of AASB 15 *Revenue from contracts with customers*.

a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2019 and the results of all subsidiaries for the year then ended. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has 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. The effects of all transactions between entities in the Group are eliminated in full.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group except as follows:

– At the time of Initial Public Offering ("IPO") Southern Cross Media Australia Holdings Pty Limited ("SCMAHL") was deemed to be the accounting acquirer of both Southern Cross Media Group Limited ("SCMGL") and Southern Cross Media Trust ("SCMT"), which was neither the legal parent nor legal acquirer; and
– This reflects the requirements of AASB 3 that in situations where an existing entity (SCMAHL) arranges to be acquired by a smaller entity (SCMGL) for the purposes of a stock exchange listing, the existing entity SCMAHL should be deemed to be the acquirer, subject to consideration of other factors such as management of the entities involved in the transaction and relative fair values of the entities involved in the transaction. This is commonly referred to as a reverse acquisition.

At the time of IPO, in November 2005, the reverse acquisition guidance of AASB 3 was applied to the Group and the cost of the Business Combination was deemed to be paid by SCMAHL to acquire SCMGL and SCMT. The cost was determined by reference to the fair value of the net assets of SCMGL and SCMT immediately prior to the Business Combination. The investment made by the legal parent SCMGL in SCMAHL to legally acquire the existing radio assets is eliminated on consolidation. In applying the guidance of AASB 3, this elimination results in a debit of $77.4 million to other equity transactions. This does not affect the Group's distributable profits.

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts have been rounded off in accordance with the Instrument to the nearest thousand dollars, unless otherwise indicated.

Critical accounting estimates and judgements

The preparation of the financial report in accordance with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. Management believes the estimates used in the preparation of the financial report are reasonable. Actual results in the future may differ from those reported. Judgements and estimates which are material to the financial report are found in the following notes:

Note 9 Non-Current Assets – Intangible Assets

Note 10 Impairment

Notes to the financial statements

Notes relating to individual line items in the financial statements now include accounting policy information where it is considered relevant to an understanding of these items, as well as information about critical accounting estimates and judgements. Details of the impact of new accounting policies and all other accounting policy information are disclosed at the end of the financial report in note 27.

2. Segment Information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The Group has determined operating segments based on the information reported to the Group CEO and the Company Board of Directors. The Group has previously determined that it has two operating segments being the Regional free-to-air commercial radio and television broadcasting segment and the Metro free-to-air radio broadcasting segment.

To align with organisational structure changes, the Group has made a change to its financial structure. The revised segment reporting will now comprise two main segments:
– Audio, comprising metro and regional radio, podcasting and other related businesses; and
– Television, comprising the regional television business.

	Audio		Television		Corporate		Consolidated	
	2019 $'000	Restated[3] 2018 $'000	2019 $'000	Restated[3] 2018 $'000	2019 $'000	Restated[3] 2018 $'000	2019 $'000	Restated[3] 2018 $'000
Segment Revenue	**452,424**	442,079	**206,558**	213,421	**1,106**	1,284	**660,088**	656,784
National Revenue[1]	**254,451**	232,798	**108,127**	108,016	**–**	–	**362,578**	340,814
Local Revenue[2]	**169,399**	178,946	**82,918**	93,838	**–**	–	**252,317**	272,784
Other (refer note 3)	**28,574**	30,335	**15,513**	11,567	**1,106**	1,284	**45,193**	43,186
Total Revenue	**452,424**	442,079	**206,558**	213,421	**1,106**	1,284	**660,088**	656,784
EBITDA/Segment Result	**148,646**	147,712	**25,201**	33,325	**(26,465)**	(22,598)	**147,382**	158,439
EBITDA % of Revenue	**32.9%**	33.4%	**12.2%**	15.6%	**N/A**	N/A	**22.3%**	24.1%
Impairment of intangibles and investments	**–**	–	**(226,883)**	(104,708)	**–**	–	**(226,883)**	(104,708)
Depreciation and Amortisation	**–**	–	**–**	–	**–**	–	**(30,643)**	(30,718)
Statutory EBIT/Segment Result	**–**	–	**–**	–	**–**	–	**(110,144)**	23,013
Financing costs	**–**	–	**–**	–	**–**	–	**(19,331)**	(20,494)
Income tax expense	**–**	–	**–**	–	**–**	–	**38,080**	(2,437)
(Loss)/Profit for the year attributable to shareholders	**–**	–	**–**	–	**–**	–	**(91,395)**	82

1 National revenue is sold by SCA's national sales team who are able to sell all SCA products across all markets.
2 Local revenue is sold directly by SCA's local sales team who are only able to sell local products specific to the particular market.
3 Comparative figures have been restated to conform to changes in presentation in the current year and for the impact of adoption of AASB 15 *Revenue from Contracts with Customers.*

3. Revenue

The profit before income tax from continuing operations included the following specific items of revenue:

	Consolidated	
	2019 $'000	Restated 2018 $'000
Revenue from continuing operations		
Sales revenue	**656,332**	652,922
Rental revenue	**3,756**	3,862
Total revenue from continuing operations	**660,088**	656,784

Recognition and Measurement

Revenues are recognised at fair value of the consideration received or receivable net of the amount of GST payable to the relevant taxation authority.

Sales revenue

Revenue represents revenue earned primarily from the sale of television, radio and digital advertising airtime and related activities, including sponsorship and promotions. Revenue is recorded when the service is provided, being primarily when the advertisement is aired. For significant payment terms refer to note 12. Within advertising revenue there is a significant contract in which SCA acts as an agent and recognises revenue over time on a net fee and commissions received basis. Commissions payable to media agencies are recognised as selling costs. Other regular sources of operating revenue are derived from commercial production for advertisers, including facility sharing revenue and program sharing revenue. Revenue from commercial production is recognised on invoice, at the time of completion of the commercial.

4. Significant Items

The net profit after tax includes the following items whose disclosure is relevant in explaining the financial performance of the Group. Significant items are those items of such a nature or size that separate disclosure will assist users to understand the financial statements.

	Consolidated	
	2019 $'000	2018 $'000
Impairment of intangibles and investments (refer notes 9, 10 and 12)	**(226,883)**	(104,708)
Derecognition of deferred tax liability on impairment (refer note 6)	**68,065**	30,859
Fair value loss on sale of assets held for sale net of tax (refer note 7)	**(6,456)**	–
Total significant items included in net loss after tax	**(165,274)**	(73,849)

5. Other Income

	Consolidated	
	2019 $'000	2018 $'000
Net gain from disposal of operations and assets	**1,046**	1,069
Total other income	**1,046**	1,069

	2019 $'000	2018 $'000
Net assets disposed	**(501)**	(939)
Gross cash consideration	**1,547**	2,008
Gross deferred consideration	**–**	–
Net gain from disposal of operations and assets before tax	**1,046**	1,069

6. Income Tax Expense

The income tax expense for the financial year differs from the amount calculated on the net result from continuing operations. The differences are reconciled as follows:

	Consolidated 2019 $'000	Consolidated Restated 2018 $'000
Income tax expense		
Current tax		
Current tax on profits for the year	**29,762**	31,282
Adjustments for current tax of prior periods	**861**	2,029
Total current tax expense	**30,623**	33,311
Deferred income tax		
Decrease in net deferred tax assets	**(68,077)**	(28,604)
Adjustments for deferred tax of prior periods	**(626)**	(2,270)
Total deferred tax expense	**(68,703)**	(30,874)
Reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	**(129,475)**	2,519
Tax at the Australian tax rate of 30%	**(38,843)**	756
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
Impairment of investments	**–**	553
Share of net profits of associates	**(216)**	(454)
Non-deductible entertainment expenses	**1,200**	1,259
Other (non-assessable income)/non-deductible expenses	**(456)**	564
Adjustments recognised in the current year in relation to prior years	**235**	(241)
Income tax (credit)/expense	**(38,080)**	2,437

Deferred Taxes	Consolidated 2019 $'000	Restated 2018 $'000
The balance comprises temporary differences attributable to:		
Licences and brands	**(273,206)**	(341,272)
Employee benefits	**5,834**	5,974
Provisions	**1,952**	1,794
Interest rate swaps	**2,259**	426
Other	**3,624**	3,010
Net balance disclosed as deferred tax liability	**(259,537)**	(330,068)

For the year ended 30 June 2019, the Company had $1.8 million of income tax benefit (2018: $0.4 million expense) recognised directly in equity in relation to cash flow hedges, with a corresponding deferred tax asset (2018: liability) being recognised. There are $58.400 million available unused tax losses on the capital account for which no deferred tax asset has been recognised (2018: $58.800 million). There are no other unused tax losses for which no deferred tax asset has been recognised.

Recognition and Measurement

Income Tax

Income tax amounts recognised in the Group's financial statements relate to tax paying entities within the Group and have been recognised in accordance with Group policy.

The income tax expense (or revenue) for the year is the tax payable on the current year's taxable income based on the applicable 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 adjusted by changes to unused tax losses.

Deferred Taxes

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 tax rates which are enacted or substantively enacted for 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.

In determining the extent of temporary differences of assets, the carrying amount of assets is assumed to be recovered through use.

Tax Consolidated Group

The Company is the head entity of the tax consolidated group. For further information, refer note 21.

7. Assets held for sale

During 2019, the Group performed an evaluation of its broadcast transmission assets. The Group decided to sell its existing transmission assets and to outsource the provision of transmission services. At 30 June 2019 the sale negotiations were at an advanced stage and on 6 August 2019 the Group announced the sale of assets and outsourcing of transmission services to Broadcast Australia. The fair value loss on assets held for sale including property, plant and equipment and other assets, totalling $9.2 million, was recorded. In determining the value of assets held for sale, the Group considered the condition of the assets and quoted replacement values for similar assets. The fair value measurements for assets held for sale are within level 2 of the fair value hierarchy.

	2019 $'000	2018 $'000
Assets held for sale	15,000	–
Total assets held for sale	**15,000**	–

8. Non-Current Assets – Property, Plant and Equipment

Consolidated 2019	**Land and Buildings $'000**	**Leasehold Improvements $'000**	**Plant and Equipment $'000**	**Assets under construction $'000**	**Total $'000**
Cost	**32,585**	**50,106**	**289,651**	**5,686**	**378,028**
Accumulated depreciation expense	**(11,333)**	**(26,680)**	**(235,543)**	**–**	**(273,556)**
Net carrying amount	**21,252**	**23,426**	**54,108**	**5,686**	**104,472**
Movement					
Net carrying amount at beginning of year	**22,580**	**17,165**	**80,095**	**10,767**	**130,607**
Additions	**140**	**9,051**	**13,591**	**5,209**	**27,991**
Disposals	**(470)**	**(58)**	**(481)**	**–**	**(1,009)**
Transfers to assets held for sale	**–**	**–**	**(23,074)**	**–**	**(23,074)**
Depreciation expense	**(998)**	**(2,732)**	**(26,313)**	**–**	**(30,043)**
Transfers	**–**	**–**	**10,290**	**(10,290)**	**–**
Net carrying amount at end of year	**21,252**	**23,426**	**54,108**	**5,686**	**104,472**

Consolidated 2018	**Land and Buildings $'000**	**Leasehold Improvements $'000**	**Plant and Equipment $'000**	**Assets under construction $'000**	**Total $'000**
Cost	33,208	41,390	357,897	10,767	443,262
Accumulated depreciation expense	(10,628)	(24,225)	(277,802)	–	(312,655)
Net carrying amount	22,580	17,165	80,095	10,767	130,607
Movement					
Net carrying amount at beginning of year	23,847	16,956	86,755	8,620	136,178
Additions	723	2,643	10,637	10,227	24,230
Disposals	(827)	(1)	(316)	–	(1,144)
Depreciation expense	(1,163)	(2,433)	(25,061)	–	(28,657)
Transfers	–	–	8,080	(8,080)	–
Net carrying amount at end of year	22,580	17,165	80,095	10,767	130,607

Recognition and Measurement

Property, Plant and Equipment at Cost

Property, plant and equipment is recorded at cost less accumulated depreciation and cumulative impairment charges. Cost includes those costs directly attributable to bringing the assets into the location and working condition necessary for the asset to be capable of operating in the manner intended by management. The estimated cost of dismantling and removing infrastructure items and restoring the site on which the assets are located is only included in the cost of the asset to the extent that the Group has an obligation to restore the site and the cost of restoration is not recoverable from third parties. Additions, renewals and improvements are capitalised, while maintenance and repairs are expensed.

The carrying values of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. 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.

The carrying values of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. 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.

Depreciation
Land is not depreciated. Depreciation on other assets is calculated on a straight-line basis to write off the cost of the asset over its estimated useful life.

Estimates of remaining useful life are made on a regular basis for all assets, with annual reassessments for major items. The expected useful life of property, plant and equipment is as follows:

Buildings	25 – 50 years
Leasehold improvements	3 – 16 years
Network equipment	2 – 10 years
Communication equipment	3 – 5 years
Other plant and equipment	2 – 20 years
Leased plant and equipment	2 – 20 years

9. Non-Current Assets – Intangible Assets

Consolidated 2019	Goodwill $'000	Broadcasting Licences $'000	Brands and Tradenames $'000	Customer Contracts $'000	Total $'000
Cost	**352,129**	**1,483,224**	**89,915**	**2,240**	**1,927,508**
Accumulated impairment expense	**(352,129)**	**(630,331)**	**(24,848)**	**–**	**(1,007,308)**
Accumulated amortisation expense	**–**	**–**	**–**	**(2,240)**	**(2,240)**
Net carrying amount	**–**	**852,893**	**65,067**	**–**	**917,960**
Movement					
Net carrying amount at beginning of year	**–**	**1,079,776**	**64,968**	**–**	**1,144,744**
Additions	**–**	**–**	**99**	**–**	**99**
Amortisation expense	**–**	**–**	**–**	**–**	**–**
Impairment expense	**–**	**(226,883)**	**–**	**–**	**(226,883)**
Net carrying amount at end of year	**–**	**852,893**	**65,067**	**–**	**917,960**

Consolidated 2018	Goodwill $'000	Broadcasting Licences $'000	Brands and Tradenames $'000	Customer Contracts $'000	Total $'000
Cost	352,129	1,483,224	89,816	2,240	1,927,409
Accumulated impairment expense	(352,129)	(403,448)	(24,848)	–	(780,425)
Accumulated amortisation expense	–	–	–	(2,240)	(2,240)
Net carrying amount	–	1,079,776	64,968	–	1,144,744
Movement					
Net carrying amount at beginning of year	–	1,182,641	64,852	1,462	1,248,955
Additions	–	–	116	–	116
Amortisation expense	–	–	–	(1,462)	(1,462)
Impairment expense	–	(102,865)	–	–	(102,865)
Net carrying amount at end of year	–	1,079,776	64,968	–	1,144,744

Goodwill and intangible assets with indefinite useful lives
The Group tests at least annually whether goodwill and intangible assets with indefinite useful lives have suffered any impairment, and when there is an indication of impairment. The tests incorporate assumptions regarding future events which may or may not occur, resulting in the need for future revisions of estimates.

There are also judgements involved in determination of cash generating units ("CGUs"). Due to changes in the organisational and financial structure, the Group has reassessed its CGUs. The impact of the reassessment is to recognise the regional and metro free-to-air commercial radio broadcasting and related operations as one CGU, "Audio", and to recognise the regional television broadcasting operations as a separate CGU, "Television". Previously regional free-to-air commercial radio and television broadcasting formed the "Regional" CGU and metro free-to-air commercial radio broadcasting was the separate "Metro" CGU.

9. Non-Current Assets – Intangible Assets (continued)

Key Judgement
Useful Life
A summary of the useful lives of intangible assets is as follows:

Commercial Television/Radio Broadcasting Licences	Indefinite
Brands and Tradenames	Indefinite

Licences
Television and radio licences are initially recognised at cost. Analogue licences are renewable for a minimal cost every five years under provisions within the Broadcasting Services Act. Digital licences attach to the analogue licences and renew automatically. The Directors understand that the revocation of a commercial television or radio licence has never occurred in Australia and have no reason to believe the licences have a finite life. As a result, the free-to-air commercial television and radio broadcasting licences have been assessed to have indefinite useful lives. Despite this, the carrying value of the Television CGU was in excess of its recoverable value resulting in the Television licences being fully impaired at 31 December 2018. On this basis, the useful life judgement for these television licences will not be key going forward.

Brands
Brands are initially recognised at cost. The brands have been assessed to have indefinite useful lives. The Group's brands operate in established markets with limited restrictions and are expected to continue to complement the Group's media initiatives. On this basis, the Directors have determined that brands have indefinite lives as there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows.

10. Impairment

a) Impairment tests for licences, tradenames, brands and goodwill

The value of licences, tradenames, brands and goodwill is allocated to the Group's cash generating units ("CGUs"), which have recently been reassessed, as described in note 9, as Audio and Television.

The recoverable amount of the CGUs at 30 June 2019 and 30 June 2018 was determined based on a value in use discounted cash flow ("DCF") model. As the indefinite lived intangible assets relating to the Television CGU were fully impaired at 31 December 2018, no impairment test was performed on the Television CGU at 30 June 2019.

Allocation of goodwill and other intangible assets

Consolidated 2019	**Audio CGU $'000**	**Television CGU $'000**	**Total $'000**
Goodwill allocated to CGU	–	–	–
Indefinite lived intangible assets allocated to CGU	**917,960**	–	**917,960**
Total goodwill and indefinite lived intangible assets	**917,960**	–	**917,960**

Key Judgement	**Audio CGU 30 June 2019 %**	**Television CGU 31 December 2018 %**
Value in use assumptions (see part (b))		
Revenue growth – Forecast Period	3.2	(5.4)
Cost growth – Forecast Period	2.3	(2.3)
Long-term growth rate – terminal value		
Radio	2.0	N/A
Television	N/A	(5.9)
Discount rate (post-tax)	9.2	9.2

Consolidated 2018	Regional CGU $'000	Metro CGU $'000	Total $'000
Goodwill allocated to CGU	–	–	–
Indefinite lived intangible assets allocated to CGU	525,706	619,038	1,144,744
Total goodwill and indefinite lived intangible assets	525,706	619,038	1,144,744

Key Judgement	Regional CGU %	Metro CGU %
Value in use assumptions (see part (b))		
Revenue growth – Forecast Period	(1.6)	4.6
Cost growth – Forecast Period	(0.7)	2.2
Long-term growth rate – terminal value		
Radio	2.0	2.0
Television	(5.9)	N/A
Discount rate (pre-tax)	13.5	12.3

b) Key assumptions used for value in use calculations

The value in use calculations use cash flow projections based on the 2020 Board approved financial budgets extended over the subsequent four-year period ("Forecast Period") and apply a terminal value calculation using estimated growth rates approved by the Board for the business relevant to each CGU. In determining appropriate growth rates to apply to the Forecast Period and to the terminal calculation, the Group considered forecast reports from independent media experts as well as internal Company data and assumptions. In respect of each CGU the market growth rates did not exceed the independent forecast reports. The discount rate used reflects specific risks relating to the relevant segments and the economies in which they operate.

c) Impact of a reasonably possible change in key assumptions

Television CGU

Impairment

At 31 December 2018, an impairment loss of $226.9 million was recorded against television licences in the Television CGU. The estimated recoverable amount of the Television CGU, based on value-in-use, equals its carrying amount. On the reassessment of the CGUs, the assets of the Regional CGU were allocated between the Audio and Television CGUs. The carrying value attributable to the Television CGU was in excess of the CGU's value-in-use, which was the main cause of the impairment.

Sensitivity

The following sensitivities were disclosed in the interim financial report for the half year ended 31 December 2018. As the indefinite lived intangible assets relating to the Television CGU were fully impaired at 31 December 2018, no impairment test was performed on the Television CGU at 30 June 2019 and there are no similar disclosures as at 30 June 2019.

As at 31 December 2018 the following changes in key assumptions would have the following approximate impact on recoverable amount and carrying value for the Television CGU:

Sensitivity	Change in variable in perpetuity %	Impact of change on Television CGU carrying value 31 December 2018 $ million
Revenue	+1%	10.5
	(1)%	(10.2)
Expenses	+1%	(8.5)
	(1)%	8.3
Post-tax discount rate	+0.5%	(0.4)
	(0.5)%	0.4
Terminal growth rate	+0.5%	0.1
	(0.5)%	(0.1)

10. Impairment (continued)

Audio CGU

Sensitivity

A variation in certain key assumptions used to determine the value in use would result in a change in the recoverable amount of the Audio CGU. The following reasonably possible change in a key assumption would result in a recoverable amount lower than the carrying value to the extent shown below:

Sensitivity	Change in variable %	Impact of change on Audio CGU carrying value $ million
Increase in post-tax discount rate from 9.2% to 12.2%	3.0%	(21.5)

11. Cash Flow Information

a) Reconciliation of Profit after Income Tax to Net Cash Inflow from Operating Activities

	Consolidated	
	2019 $'000	Restated 2018 $'000
Profit/(loss) after income tax	**(91,395)**	82
Impairment of intangibles and investments	**226,883**	104,708
Depreciation and amortisation	**30,643**	30,718
Net gain from disposal of operations and assets	**(1,046)**	(1,069)
Fair value loss on disposal of assets held for sale	**9,223**	–
Share of associate profit	**(719)**	(1,152)
Interest expense and other borrowing costs included in financing activities	**20,179**	21,300
Share-based payments	**(830)**	924
Change in operating assets and liabilities:		
(Increase)/decrease in receivables	**(4,412)**	9,070
Decrease in deferred taxes (net of tax movement in hedge reserve)	**(70,122)**	(30,874)
Increase/(decrease) in payables (excluding interest expense classified as financing activities)	**1,006**	(10,397)
Decrease in deferred income	**(4,352)**	(8,037)
Decrease in provision for income tax	**(4,003)**	(1,466)
Increase/(decrease) in provisions	**87**	(3,649)
Net cash inflows from operating activities	**111,142**	110,158

b) Net debt reconciliation

	Consolidated	
	2019 $'000	2018 $'000
Cash and liquid investments	**32,387**	56,052
Borrowings – repayable within one year	**–**	(19)
Borrowings – repayable after one year	**(325,000)**	(360,000)
Net debt	**(292,613)**	(303,967)
Cash and liquid investments	**32,387**	56,052
Gross debt – fixed interest rates	**(325,000)**	(360,019)
Net debt	**(292,613)**	(303,967)

12. Receivables, Payables, Deferred Income and Provisions

a) Receivables

	Consolidated 2019 $'000	Consolidated 2018 $'000
Current		
Trade receivables	**123,309**	126,341
Provision for doubtful debts	**(526)**	(807)
Prepayments	**8,615**	8,545
Other	**4,575**	2,635
	135,973	136,714

	Consolidated 2019 $'000	Consolidated 2018 $'000
Non-current		
Refundable deposits	**146**	147
Related parties	**577**	515
Other	**696**	955
	1,419	1,617

The carrying amounts of the non-current receivables approximate their fair value.

Ageing analysis of assets

The tables below summarise the ageing analysis of assets past due but not impaired and impaired assets as at 30 June.

Consolidated As at 30 June 2019	**Current – not past due $'000**	**Past due – up to 60 days $'000**	**Past due – 60 – 90 days $'000**	**Past due – >90 days $'000**	**Total $'000**
Trade receivables	**112,585**	**7,631**	**2,154**	**939**	**123,309**
Expected credit losses	**(331)**	**(11)**	**(43)**	**(141)**	**(526)**

Consolidated As at 30 June 2018	**Current – not past due $'000**	**Past due – up to 60 days $'000**	**Past due – 60 – 90 days $'000**	**Past due – >90 days $'000**	**Total $'000**
Trade receivables	112,598	8,531	2,105	3,107	126,341
Provision for doubtful debts	–	–	–	(807)	(807)

The Group has recognised expenses in respect of bad and doubtful trade receivables during the year ended 30 June 2019 of $765,125 (2018: expense of $717,602). The loss allowance is based on a simplified model of recognising lifetime expected credit losses immediately upon recognition. The amount of the loss allowance is recognised in profit or loss. Where a debt is known to be uncollectible, it is considered a bad debt and written off.

Recognition and Measurement

Trade Receivables

Trade receivables are recognised at fair value, being the original invoice amount, and subsequently measured at amortised cost less loss allowance. Generally credit terms are for 30 days from date of invoice or 45 days for an accredited agency.

b) Payables

	Consolidated 2019 $'000	Consolidated 2018 $'000
Current		
Trade creditors	**10,980**	12,732
GST payable	**3,189**	3,565
Accruals and other payables	**53,968**	50,343
	68,137	66,640

12. Receivables, Payables, Deferred Income and Provisions (continued)

b) Payables (continued)

Recognition and Measurement

Trade Creditors, Accruals and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition.

c) Deferred Income

	Consolidated 2019 $'000	Consolidated Restated 2018 $'000
Current		
Deferred income	**4,729**	6,718
	4,729	6,718

	Consolidated 2019 $'000	Consolidated Restated 2018 $'000
Non-current		
Deferred income	**93,689**	95,192
	93,689	95,192

Recognition and Measurement

Deferred Income

In 2016, the Group entered into a long-term contract with Australian Traffic Network (ATN) for it to provide traffic reports for broadcast on Southern Cross Austereo (SCA) radio stations. SCA received payment of $100 million from ATN in return for its stations broadcasting advertising tags provided by ATN attached to news and traffic reports. The contract has a term of 20 years, with an option for ATN to extend it by a further 10 years. The $100 million payment has been recorded on the balance sheet under "Deferred Income" and will be released to the Income Statement over a 30-year period, unless the contract ends after 20 years at which point the remaining balance will be recognised as revenue in year 20. This treatment will match the receipt of future broadcasting services, airtime and traffic management services that the Group is required to provide over the life of the contract (refer note 27)

ATN revenue recognised that was included in the deferred income balance at the beginning of the period was $7.1 million.

In addition to the payment received from ATN, deferred income represents government grants received. Grants from the government relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are deferred and recognised in profit or loss on a straight-line basis over the expected useful lives of the related assets.

d) Provisions

	Consolidated 2019 $'000	Consolidated 2018 $'000
Current		
Employee benefits	**17,293**	17,800
Lease provisions	**(220)**	338
	17,073	18,138

	Consolidated 2019 $'000	Consolidated 2018 $'000
Non-current		
Employee benefits	**2,370**	2,295
Lease provisions	**6,749**	5,671
	9,119	7,966

Movements in current and non-current provisions, other than provisions for employee benefits, are set out below:

	Consolidated 2019 $'000	Consolidated 2018 $'000
Balance at the beginning of the financial year	**6,009**	9,956
Additional provisions made in the period, including increases to existing provisions	**721**	778
Amounts used during the period	**(168)**	(2,053)
Unused amounts reversed during the period	**(33)**	(2,672)
Balance at the end of the financial year	**6,529**	6,009

12. Receivables, Payables, Deferred Income and Provisions (continued)

d) Provisions (continued)

Recognition and Measurement

Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market estimates 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.

Wages and Salaries, Leave and Other Entitlements

Liabilities for unpaid salaries, salary related costs and provisions for annual leave are recorded in the Statement of Financial Position at the salary rates which are expected to be paid when the liability is settled. Provisions for long service leave and other long-term benefits are recognised at the present value of expected future payments to be made. In determining this amount, consideration is given to expected future salary levels and employee service histories. Expected future payments are discounted to their net present value using high quality corporate bond rates with terms that match as closely as possible to the expected future cash flows.

Onerous Contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the obligation under the contract. The provision is measured at the lower of the cost of fulfilling the contract and any compensation or penalties arising from the failure to fulfil it.

Lease Provisions

The lease provision covers lease arrangements to enable the lease expenses to be recognised on a straight-line basis over the life of the lease. The provision also comprises of makegood provisions included in lease agreements for which the Group has a legal or constructive obligation. The present value of the estimated costs of dismantling and removing the asset and restoring the site is recognised as a provision. At each reporting date, the liability is remeasured in line with changes in discount rates, estimated cash flows and the timing of those cash flows.

Capital Management

13. Capital Management Objectives

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide appropriate 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 or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, maintain a fully underwritten dividend reinvestment plan, return capital to shareholders, issue new shares, buy back existing shares or sell assets to reduce debt. The Group has taken measures to reduce net debt and has achieved its stated objective of reaching a leverage ratio of below 2.5 times. The following outlines the capital management policies that are currently in place for the Group:

Dividend Policy

Dividend Payout Ratio

The Group intends to distribute between 65-85% of underlying financial year Net Profit After Tax. There has been no change to this dividend policy during the year.

Dividend Reinvestment Plan ("DRP")

The Group operates a DRP whereby shareholders can elect to receive their dividends by way of receiving shares in the Company instead of cash. The Company can elect to either issue new shares, or to buy shares on-market. The DRP has been suspended since the 2016 interim dividend following the successful reduction in the Group's leverage ratio.

Further details on the Group's dividends are outlined in note 14.

Debt Facilities

Syndicated Debt Facility

At 30 June 2019 the Group had a $500 million (2018: $500 million) revolving three-year Syndicated Facility Agreement ("SFA") expiring on 8 January 2021. This facility is used as core debt for the Group, and may be paid down and redrawn in accordance with the SFA.

Covenants

For the duration of the SFA the Banking Group, being Southern Cross Austereo Pty Ltd and its subsidiaries, has a maximum leverage ratio covenant of 3.5 times and a minimum interest cover ratio of 3.0 times. As at 30 June 2019, the leverage ratio was 1.76 times and the interest cover ratio was 13.03 times.

Further details on the Group's debt facilities are outlined in note 17.

Property, Plant and Equipment and Intangibles

The capital expenditure for 2019 was $27.991 million (2018: $24.230 million).

Further details on the Group's fixed assets are outlined in note 8.

14. Dividends Paid and Proposed

	Consolidated 2019 $'000	Consolidated 2018 $'000
The dividends were paid as follows:		
Interim dividend paid for the half year ended 31 December 2018/2017 – fully franked at the tax rate of 30%	**28,838**	28,838
Final dividend paid for the year ended 30 June 2018/2017 – fully franked at the tax rate of 30%	**30,761**	30,761
	59,599	59,599
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan were as follows:		
Paid in cash	**59,599**	59,599
	59,599	59,599

	Cents per share	Cents per share
Interim dividend paid for the half year ended 31 December	**3.75**	3.75
Final dividend paid for the year ended 30 June	**4.00**	4.00
	7.75	7.75

The Group has $153.4 million of franking credits at 30 June 2019 (2018: $144.9 million).

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the financial year but not distributed at the end of the reporting period.

Since the end of the financial year the Directors have declared the payment of a final 2019 ordinary dividend of $30.761 million (4.00 cents per fully paid share) out of "Retained profits – 2015 H1 interim reserve" to fully utilise that reserve and the remainder to be paid out of "Retained Profits – 2016 reserve". This dividend will be paid on 8 October 2019 by the Company.

15. Earnings per Share

	Consolidated 2019	Consolidated Restated 2018
Continuing Operations		
Profit/(loss) attributable to shareholders from continuing operations ($'000)	**(91,395)**	82
Profit attributable to shareholders from continuing operations excluding significant items ($'000)	**73,879**	73,932
Weighted average number of shares used as the denominator in calculating basic earnings per share (shares, '000)	**769,014**	769,014
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (shares, '000)	**771,756**	772,763
Basic earnings per share (cents per share)	**(11.88)**	0.01
Diluted earnings per share (cents per share)	**(11.88)**	0.01
Excluding significant items (refer note 4)		
Basic earnings per share excluding significant items (cents per share)	**9.61**	9.61
Diluted earnings per share excluding significant items (cents per share)	**9.57**	9.57
Dividends paid/proposed for the year as a % of NPAT	**80.7%**	80.6%

Recognition and Measurement

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential shares.

16. Contributed Equity and Reserves

	Consolidated 2019 $'000	Consolidated 2018 $'000
Ordinary shares	**1,379,736**	1,379,736
Contributed equity	**1,379,736**	1,379,736

	Consolidated 2019 $'000	Consolidated 2018 $'000	Consolidated 2019 Number of securities '000	Consolidated 2018 Number of securities '000
On issue at the beginning of the financial year	**1,379,736**	1,379,736	**769,014**	769,014
On issue at the end of the financial year	**1,379,736**	1,379,736	**769,014**	769,014

Ordinary shares in Southern Cross Media Group Limited
Ordinary shares entitle the holder to participate in distributions 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, each shareholder present in person and each other person present as a proxy has one vote and upon a poll, each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Employee share entitlements
The Group operates an LTI plan for its senior executives. Information relating to the employee share entitlements, including details of shares issued under the scheme, is set out in the Remuneration Report.

Nature and purpose of reserves
a) Share-based payments reserve
The share-based payments reserve is used to recognise the fair value of future potential shares to be issued to employees for no consideration in respect of performance rights offered under the Long Term Incentive Plan. During the year 784,396 performance rights have vested (2018: 918,166) and 1,957,873 (2018: 2,242,074) performance rights have been granted. In the current year $269,650 (2018: $1,102,410) has been recognised as a benefit in the Statement of Comprehensive Income as the fair value of potential shares to be issued.

b) Hedge reserve
The hedge reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in Other Comprehensive Income. Amounts are reclassified to the Statement of Comprehensive Income when the associated hedged transaction affects profit or loss.

c) Reverse Acquisition Reserve
As described in note 1(a), there is a reverse acquisition reserve of $77.406 million (2018: $77.406 million) in connection with the IPO of the Group.

17. Borrowings

a) Total interest bearing liabilities

	Consolidated 2019 $'000	Consolidated 2018 $'000
Current secured borrowings		
Lease liabilities	–	19
Total secured current interest bearing liabilities	–	19

	Consolidated 2019 $'000	Consolidated 2018 $'000
Non-current secured borrowings		
Bank facilities	**325,000**	360,000
Borrowing costs	**(1,476)**	(2,399)
Lease liabilities	**–**	–
Total secured non-current interest bearing liabilities	**323,524**	357,601
Total current and non-current borrowings	**323,524**	357,620

For all non-current borrowings, the carrying amount approximates fair value in the balance sheet. Of the $1.476 million of borrowing costs, $0.959 million (2018: $0.923 million) will unwind during the year ending 30 June 2020.

b) Interest expense

	Consolidated 2019 $'000	Consolidated Restated 2018 $'000
Interest expense and other borrowing costs		
External banks	**13,648**	14,912
AASB 15 – *Revenue from customers with contracts* interest expense	**5,608**	5,691
Amortisation of borrowing costs	**923**	697
Total interest expense and other borrowing costs	**20,179**	21,300

17. Borrowings (continued)

c) Bank facilities and assets pledged as security

The $500 million debt facilities (2018: $500 million) of the Banking Group are secured by a fixed and floating charge over the assets and undertakings of the Banking Group and its wholly owned subsidiaries and also by a mortgage over shares in Southern Cross Austereo Pty Ltd. The facility matures on 8 January 2021 and has an average variable interest rate of 2.58% (2018: 3.51%). The facility is denominated in Australian dollars.

There are certain financial and non-financial covenants which are required to be met by subsidiaries in the Group. One of these covenants is an undertaking that the subsidiary is in compliance with the requirements of the facility before any amount may be distributed to the benefit of the ultimate parent entity, Southern Cross Media Group Limited. Covenant testing dates fall at 30 June and 31 December each year until the facility maturity date. At 30 June 2019, the Group complied with all the covenants.

The carrying amounts of assets pledged as security by Southern Cross Austereo Pty Ltd for current and non-current borrowings are:

	Consolidated	
	2019 $'000	**2018 $'000**
Current assets		
Floating charge		
Cash and cash equivalents	**31,448**	56,046
Receivables	**134,873**	136,027
Assets held for sale	**15,000**	–
Total current assets pledged as security	**181,321**	192,073
Non-current assets		
Floating charge		
Receivables	**1,272**	1,617
Investments accounted for using the equity method	**4,559**	4,932
Property, plant and equipment	**104,472**	130,607
Intangible assets	**917,960**	1,144,744
Total non-current assets pledged as security	**1,028,263**	1,281,900
Total assets pledged as security	**1,209,584**	1,473,973

Recognition and Measurement

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Transaction costs that have been paid or accrued for prior to the drawdown of debt are classified as prepayments. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs

Borrowing costs are expensed over the life of the facility to which they relate.

18. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (the Group's main exposure to market risk is interest rate risk), liquidity risk and cash flow interest rate risk. There is a relatively low level of credit risk on receivables that is managed by careful business practices (refer note 12). The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures.

The Risk Management Policy is carried out by management under policies approved by the Board. Senior management of the Group identify, quantify and qualify financial risks as part of developing and implementing the risk management process. The Risk Management Policy is a written document approved by the Board that outlines the financial risk management process to be adopted by management. Specific financial risks that have been identified by the Group are interest rate risk and liquidity risk.

a) Interest rate risk

Nature of interest rate risk

Interest rate risk is the Group's exposure to the risk that interest rates move in a way that adversely affects the ability of the Group to pay its interest rate commitments. The Group's interest rate risk arises from long-term borrowings which are taken out at variable interest rates and therefore expose the Group to a cash flow risk.

Interest rate risk management

The Group does not have a formal policy to fix rates on its borrowings but manages its cash flow interest rate risk by using variable to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from variable rates to fixed rates. Generally, the Group raises long-term borrowings at variable rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (quarterly), the difference between fixed contract rates and variable rate interest amounts calculated by reference to the agreed notional principal amounts.

Exposure and sensitivity to interest rate risk

External borrowings of the Group currently bear an average variable interest rate of 2.58% (2018: 3.51%). In 2015 the Group entered into $320 million of interest rate swap contracts under which it was obliged to receive interest at variable rates and to pay interest at fixed rates at an average fixed rate of 2.5% (2018: 2.5%). These interest rate swap contracts expired in January 2018. In 2017 the Group entered into $200 million of interest rate swap contracts under which it is obliged to receive interest at variable rates and pay interest at fixed rates starting in January 2018 at an average fixed rate of 2.4%. These interest rate swap contracts will expire in January 2021. Later in 2017 the Group entered into a further $100 million of interest rate swap contracts under which it is obliged to receive interest at variable rates and pay interest at fixed rates starting in January 2018 at an average fixed rate of 2.25%. These interest rate swap contracts will expire in January 2022. Details on how the Group accounts for the interest rate swap contracts as cashflow hedges are disclosed in note 27.

Derivative financial instruments

	Consolidated	
	2019 $'000	**2018 $'000**
Interest rate swap contracts – current liability	–	–
Interest rate swap contracts – non-current liability	**7,529**	1,419
Total derivative financial instruments	**7,529**	1,419

Swaps currently in place cover approximately 92% (2018 – 83%) of the variable loan principal outstanding. The fixed interest rates of the swaps range between 2.2% and 2.4% (2018 – 2.2% and 2.5%) and the variable rates on the loans are 1.4% above the three months bank bill rate, which at the end of the reporting period was 1.2% (2018 – 2.1%).

The swap contracts require settlement of net interest receivable or payable every three months. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

18. Financial Risk Management (continued)

a) Interest rate risk (continued)

Effects of hedge accounting on the financial position and performance

The effects of the interest rate swaps on the Group's financial position and performance are as follows:

	2019 $'000	2018 $'000
Carrying amount (liability)	**7,529**	1,419
Notional	**300,000**	300,000
Maturity date		
2021	**200,000**	200,000
2022	**100,000**	100,000
Hedge ratio	**1:1**	1:1
Change in fair value of outstanding hedging instruments since 1 July	**(7,234)**	(615)
Change in value of hedged item used to determine hedge effectiveness	**7,234**	615
Weighted average hedged rate for the year	**2.37%**	2.44%

Hedging reserve

The Group's hedging reserve disclosed in the Statement of Changes in Equity relates to the following hedging instruments:

	Hedge Reserve for Interest Rate Swaps $'000
Opening balance 1 July 2017	**(1,820)**
Add: Change in fair value of hedging instrument recognised in OCI for the year	(615)
Less: reclassified from OCI to profit or loss	1,795
Less: Deferred tax	(354)
Closing balance 30 June 2018	**(994)**
Add: Change in fair value of hedging instrument recognised in OCI for the year	(7,234)
Less: reclassified from OCI to profit or loss	1,127
Less: Deferred tax	1,832
Closing balance 30 June 2019	**(5,269)**

Interest rate swap contracts

The contracts require settlement of net interest receivable or payable and are timed to coincide with the approximate dates on which interest is payable on the underlying debt.

These interest rate swaps are cash flow hedges as they satisfy the requirements for hedge accounting. Any change in fair value of the interest rate swaps is taken to the hedge reserve in equity.

In assessing interest rate risk, management has assumed a +/– 25 basis points movement (2018: +/– 25 basis points) in the relevant interest rates at 30 June 2019 for financial assets and liabilities denominated in Australian Dollars ("AUD"). The following table illustrates the impact on profit or loss with no impact directly on equity for the Group.

Consolidated AUD exposures	Carrying Value $'000	Impact on post-tax profits Increase/(decrease) +/– 25 basis points $'000	$'000	Impact on reserves Increase/(decrease) +/– 25 basis points $'000	$'000
2019		**+25**	**–25**	**+25**	**–25**
Cash at bank	**32,387**	**57**	**(57)**	**–**	**–**
Interest rate swaps	**(7,529)**	**525**	**(525)**	**1,383**	**(1,390)**
Borrowings	**(325,000)**	**(569)**	**569**	**–**	**–**
2018		**+25**	**–25**	**+25**	**–25**
Cash at bank	56,052	98	(98)	–	–
Interest rate swaps	(1,419)	525	(525)	2,059	(2,074)
Borrowings	(360,000)	(630)	630	–	–

b) **Liquidity risk**

Nature of liquidity risk

Liquidity risk is the risk of an entity encountering difficulty in meeting obligations associated with financial liabilities.

Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group and Company have a prudent liquidity management policy which manages liquidity risk by monitoring the stability of funding, surplus cash or near cash assets, anticipated cash in and outflows, and exposure to connected parties.

Exposure and sensitivity

Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

Consolidated As at 30 June 2019	**Bank facilities $'000**	**Working capital facility $'000**	**Total facilities $'000**
Line of credit value	**500,000**	**7,000**	**507,000**
Used at balance date	**(325,000)**	**(5,920)**	**(330,920)**
Unused at balance date	**175,000**	**1,080**	**176,080**

Consolidated As at 30 June 2018	**Bank facilities $'000**	**Working capital facility $'000**	**Total facilities $'000**
Line of credit value	500,000	5,000	505,000
Used at balance date	(360,000)	(4,524)	(364,524)
Unused at balance date	140,000	476	140,476

The $500 million debt facility for the Group matures on 8 January 2021. The Group's bank facilities are denominated in Australian dollars as at 30 June 2019 and 30 June 2018.

18. Financial Risk Management (continued)

b) Liquidity risk (continued)

Undiscounted future cash flows

The tables below summarise the maturity profile of the financial liabilities as at 30 June based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were given immediately.

Consolidated As at 30 June 2019	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-5 years $'000	Greater than 5 years $'000
Borrowings – Principal	–	325,000	–	–	–
Interest cashflows[1]	12,941	7,307	566	–	–
Derivative financial instruments[2]	–	4,444	3,085	–	–
Payables[3]	60,343	–	–	–	–
Total	73,284	336,751	3,651	–	–

Consolidated As at 30 June 2018	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-5 years $'000	Greater than 5 years $'000
Lease liabilities	19	–	–	–	–
Borrowings – Principal	–	–	360,000	–	–
Interest cashflows[1]	14,299	14,338	7,593	79	–
Derivative financial instruments[2]	–	–	1,409	10	–
Payables[3]	59,878	–	–	–	–
Total	**74,196**	**14,338**	**369,002**	**89**	**–**

1 Calculated using a weighted average variable interest rate. Interest cashflows includes interest on principal borrowings, swap interest and the commitment fee on the Syndicated Facility Agreement.

2 The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. The fair value of interest rate swaps are calculated as the present value of the estimated future cash flows and are included in Level 2 under derivative financial instruments. The total fair value of derivatives used for hedging is $7.529 million (2018: $1.419 million).

3 The payables balance excludes interest payable as the cashflows are included in "Interest cashflows" above and excludes GST payable as this is not a financial liability.

Group Structure

19. Non-Current Assets – Investments Accounted for Using the Equity Method

	Consolidated	
	2019 $'000	**2018 $'000**
Carrying amount at the beginning of the financial year	**7,740**	5,167
Share of profit/(losses) after income tax	**719**	1,152
Acquisition of associates and joint ventures	**1,620**	1,729
Dividends	**(1,064)**	–
Decrease in associates and joint ventures	**–**	(308)
Carrying amount at the end of the financial year	**9,015**	7,740

20. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name of entity	Country of incorporation	Class of shares/units	Effective ownership interest 2019	Effective ownership interest 2018
SCM No 1 Limited (SCM1)	Australia	Ordinary	100%	100%
Southern Cross Media Australia Holdings Pty Limited (SCMAHL)	Australia	Ordinary	100%	100%
Southern Cross Media Group Investments Pty Ltd (SCMGI)	Australia	Ordinary	100%	100%
Southern Cross Austereo Pty Limited (SCAPL) and controlled entities	Australia	Ordinary	100%	100%

The proportion of ownership interest is equal to the proportion of voting power held unless otherwise indicated.

Recognition and Measurement

Subsidiaries

Subsidiaries are those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Where control of an entity is obtained during a financial year, its results are included in the Statement of Comprehensive Income from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated Statements of Comprehensive Income and Statements of Financial Position respectively.

21. Parent Entity Financial Information

a) Summary financial information

The following aggregate amounts are disclosed in respect of the parent entity, Southern Cross Media Group Limited:

	Southern Cross Media Group Limited	
Statement of Financial Position	**2019 $'000**	**2018 $'000**
Current assets	**1,998**	693
Non-current assets	**1,003,028**	972,784
Total assets	**1,005,026**	973,477
Current liabilities	**34,089**	5,539
Total liabilities	**34,089**	5,539
Net assets	**970,937**	967,938
Issued capital	**1,282,148**	1,282,148
Reserves	**5,765**	6,595
Retained profits – 2013 reserve	**–**	45,040
Accumulated losses – 2014 reserve	**(96,805)**	(96,805)
Retained profits – 2015 H1 interim reserve	**8,202**	22,761
Accumulated losses – 2015 H2 reserve	**(323,833)**	(323,833)
Retained profits – 2016 reserve	**27,555**	27,555
Retained profits – 2017 reserve	**2,534**	2,534
Retained profits – 2018 reserve	**1,943**	1,943
Retained profits – 2019 reserve	**63,428**	–
Total equity	**970,937**	967,938
Profit for the year	**64,149**	61,651
Total comprehensive income	**64,149**	61,651

b) Guarantees entered into by the parent entity

The parent entity has not provided any financial guarantees in respect of bank overdrafts and loans of subsidiaries as at 30 June 2019 (2018: nil). The parent entity has not given any unsecured guarantees at 30 June 2019 (2018: nil).

c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2019 (30 June 2018: nil).

d) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2019, the parent entity had no contractual commitments (30 June 2018: nil).

Recognition and Measurement

Parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below:

i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries are accounted for at cost in the financial statements of the Company, less any impairment charges.

ii) Tax consolidation legislation

The Company and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of 23 November 2005.

The Company is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing agreement in order to allocate income tax expense to the wholly owned subsidiaries on a stand-alone basis. The tax sharing arrangement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. The possibility of such a default is considered remote at the date of this report.

Members of the tax consolidated group have entered into a tax funding agreement. The Group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group. The tax funding agreement provides for each member of the tax consolidated group to pay a tax equivalent amount to or from the parent in accordance with their notional current tax liability or current tax asset. Such amounts are reflected in amounts receivable from or payable to the parent company in their accounts and are settled as soon as practicable after lodgement of the consolidated return and payment of the tax liability.

22. Share-Based Payments

The company operates a long-term incentive plan for Executive KMP and certain senior executives. The share-based payment benefit for the year ended 30 June 2019 was $269,650 (2018: $1,102,410 expense).

The following table reconciles the performance rights outstanding at the beginning and end of the year:

Number of performance rights	2019	2018
Balance at beginning of the year	**5,319,736**	3,749,123
Granted during the year	**1,957,873**	2,242,074
Exercised during the year	**–**	–
Forfeited during the year	**(1,483,713)**	(671,461)
Balance at end of year	**5,793,896**	5,319,736
Vested and exercisable at end of the year	**784,396**	918,166

Recognition and Measurement

Share-based compensation benefits are provided to employees via certain Employee Agreements. Information relating to these Agreements is set out in the Remuneration Report. The fair value of entitlements granted are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised as an expense over the period during which the employees become unconditionally entitled to the shares.

The fair value of the performance rights issued during 2019 was determined using a Black-Scholes-Merton model for the ROIC and the EPS performance rights, with the following inputs:

	ROIC	Absolute EPS
Grant date	14 September 2018	14 September 2018
Grant date share price	$1.33	$1.33
Fair value at grant date	$1.12	$1.12
Exercise price	Nil	Nil
Dividend yield	5.83%	5.83%
Risk free interest rate	2.05%	2.05%
Expected volatility	34.00%	34.00%

The fair value at grant date of the securities granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of shares that are expected to be issued. At each balance sheet date, the entity revises its estimate of the number of shares that are expected to be issued. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in profit or loss with a corresponding adjustment to equity. Where the terms of the share-based payment entitlement are modified in the favour of the employee, the changes are reflected when determining the impact on profit or loss.

23. Remuneration of Auditors

	Consolidated 2019 $	Consolidated 2018 $
(a) Audit and other assurance services		
PricewaterhouseCoopers Australian firm:		
Statutory audit and review of financial reports	**621,900**	630,900
Other assurance services	**10,000**	215,000
Regulatory returns	**18,965**	15,965
Total remuneration for audit and other assurance services	**650,865**	861,865
(b) Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax services	**–**	–
Total remuneration for taxation services	**–**	–
(c) Other services		
PricewaterhouseCoopers Australian firm:		
Debt advisory	**–**	165,000
Legal services	**–**	32,000
Total remuneration for other services	**–**	197,000
Total	**650,865**	1,058,865

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

The Board has considered the position and, in accordance with the advice received from the Audit & Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit & Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110: *Code of Ethics for Professional Accountants*, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

24. Related Party Disclosures

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a) KMP

During the year, no KMP of the Company or the Group has received or become entitled to receive any benefit because of a contract made by the Group with a KMP or with a firm of which a KMP is a member, or with an entity in which the KMP has a substantial interest except on terms set out in the governing documents of the Group or as disclosed in this financial report.

The aggregate compensation of KMP of the Group is set out below:

	Consolidated	
	2019 $	**2018 $**
Short-term employee benefits	**6,044,098**	5,280,594
Post-employment benefits	**212,109**	193,343
Other long-term benefits	**(120,084)**	56,543
Termination payments	**679,576**	–
Share-based payments	**(114,581)**	1,195,879
	6,701,118	6,726,359

Note: Changes to KMP during the year can be found in the Remuneration Report.

The number of ordinary shares in the Company held during the financial year by KMP of the Company and Group, including their personally related parties, are set out in the Remuneration Report in the Directors' Report. There were no loans made to, or other transactions with, KMP during the year (2018: nil).

b) Subsidiaries and Associates

Ownership interests in subsidiaries are set out in note 20. Details of interests in associates and distributions received from associates are disclosed in note 19. Details of loans due from associates are disclosed in note 12.

25. Leases and Other Commitments

	Consolidated 2019 $'000	Consolidated 2018 $'000
Capital commitments		
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	**2,841**	4,302
	2,841	4,302
Operating leases		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**23,114**	21,708
Later than one year but not later than five years	**42,155**	45,923
Later than five years	**38,903**	21,748
	104,172	89,379
Finance lease payment commitments		
Finance lease commitments are payable as follows:		
Within one year	–	19
Later than one year but not later than five years	–	–
Later than five years	–	–
	–	19
Less: Future lease finance charges	–	–
	–	19
Lease liabilities provided for in the financial statements:		
Current	–	19
Non-current	–	–
Total lease liability	–	19

Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The Group sub-leases buildings under an operating lease and rent revenue is recorded as income in the profit or loss on a straight-line basis.

Rental expense relating to operating leases – included in occupancy costs is $27.1 million (2018: $25.1 million).

26. Events Occurring after Balance Date

On 6 August 2019 the Group announced the sale of assets and outsourcing of transmission services to Broadcast Australia. Refer note 7 for further details.

No other matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations, results of operations or state of affairs of the Group in subsequent accounting periods.

27. Other Accounting Policies

Defined contribution scheme

The Group operates a defined contribution scheme. The defined contribution scheme comprises fixed contributions made by the Group with the Group's legal or constructive obligation being limited to these contributions. Contributions to the defined contribution scheme are recognised as an expense as they become payable. Prepaid contributions are recognised in the Statement of Financial Position as an asset to the extent that a cash refund or a reduction in the future payments is available. The defined contribution plan expense for the year was $15.0 million (2018: $14.9 million) and is included in employee expenses.

Derivative financial instruments

The Group enters into interest rate swap agreements to manage its financial risks. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group may have derivative financial instruments which are economic hedges, but do not satisfy the requirements of hedge accounting. Gains or losses from changes in fair value of these economic hedges are taken through profit or loss.

If the derivative financial instrument meets the hedge accounting requirements, the Group designates the derivatives as either (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or (2) hedges of highly probable forecast transactions (cash flow hedges). The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of over-the-counter derivatives are determined using valuation techniques adopted by the Directors with assumptions that are based on market conditions existing at each balance sheet date. The fair values of interest rate swaps are calculated as the present values of the estimated future cash flows.

Hedge accounting

The Group designated interest rates swaps held as at 1 July 2011 as cash flow hedges and has applied hedge accounting from this date.

The Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking the hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

The fair values of derivative financial instruments used for hedging purposes are presented within the balance sheet. Movements in the hedging reserve are shown within the Statement of Changes in Equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Derivatives

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was 100% effective.

The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

Hedge ineffectiveness may occur due to:
- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan; and
- differences in critical terms between the interest rate swaps and loans.

There was no ineffectiveness during 2019 or 2018 in relation to the interest rate swaps.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Comprehensive Income.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within “interest expense and other borrowing costs”. When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

27. Other Accounting Policies (continued)

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The Group has adopted AASB 7 *Financial Instruments*: *Disclosures* which 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 (as prices) or indirectly (derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial instruments that are not traded in an active market (for example, unlisted convertible notes) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

New accounting standards and interpretations

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:
- AASB 9 *Financial Instrument*s, and
- AASB 15 *Revenue from Contracts with Customers*

In addition the Group made retrospective changes, as detailed below, as a result of adopting AASB 15.

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* and makes a number of changes to the previous guidance on the classification and measurement of financial assets and introduces an “expected credit loss” model for allowances against financial assets.

Loss allowance

In adopting AASB 9, the Group revised its loss allowance methodology in relation to its trade receivables and has now applied a simplified model of recognising lifetime expected credit losses immediately upon recognition. These items do not have a significant financing component and have maturities of less than 12 months. Historical loss allowances in relation to trade receivables have not been material. The expected loss rates are based on the payment profile of sales over a period of three years before the end of the current period. The historical loss rates have been adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables.

The impact of the adoption of AASB 9 *Financial Instruments* on the loss allowance is disclosed below.

		June 2019			June 2018	
Expected credit losses	**$’000**	**%**	**$’000**	**$’000**	**%**	**$’000**
Current	113,220	0.13%	147	112,598	0.13%	146
Up to 60 Days	7,631	0.15%	12	8,531	0.15%	13
60 to 90 Days	2,153	2.00%	43	2,105	2.00%	42
Over 90+ Days	938	15.00%	141	2,987	15.00%	448
Other			183			120
Loss allowance under AASB 9 at 1 July 2018						**769**
Restatement of expected credit losses taken to FY19 profit			–			38
Expected credit loss			**526**			**807**

AASB 15 ***Revenue from Contracts with Customers***

The Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in AASB 15, the Group has adopted the new rules retrospectively and has restated comparatives.

The Group has identified that a significant financing component exists within the ATN contract. Under AASB 15, the Group is required to separate the underlying revenue from the implied financing component and associated interest expense. Following a review of a representative sample of other contracts, no other material changes were required.

Statement of comprehensive income to 30 June 2018	As originally presented $'000	Remeasurement $'000	Restated $'000
Revenue from continuing operations	653,007	3,777	656,784
EBITDA	154,662	3,777	158,439
Interest expense and other borrowing costs	(15,609)	(5,691)	(21,300)
Income tax expense	(3,011)	574	(2,437)
Net profit after tax	1,422	(1,340)	82
Net profit after tax excluding significant items	75,271	(1,340)	73,931
Earnings per share	0.2	(0.2)	0.0
Earnings per share excluding significant items	9.8	(0.2)	9.6

The following adjustments were made to the amounts recognised in the balance sheet at 30 June 2018.

Statement of financial position	AASB 118 carrying amount 30 June 2018 $'000	Remeasurement $'000	AASB 15 carrying amount 1 July 2018 $'000
Current Deferred Income	8,553	(1,835)	6,718
Non-current Deferred Income	88,609	6,583	95,192
Deferred tax liability	331,492	(1,424)	330,068
Retained profits	(713,668)	(3,324)	(716,992)

Accounting Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2019 reporting period. AASB 16 *Leases* is mandatory for annual reporting periods beginning on or after 1 January 2019. Management has reviewed the new standard and calculated there will be a material impact on the Group's financial statements. The principal change will be to capitalise certain operating leases on balance sheet and treat akin to a finance lease.

Impact of standards issued but not yet applied

AASB 16 ***Leases***

Applying the new standard will result in the following changes to the Group's financial statements:

– a gross up of the balance sheet which will increase operating cash flows, decrease financing cash flows; as repayment of lease liabilities will be classified as cash flows from financing activities from FY2020 under AASB 16 to account for new lease assets and related lease liabilities; and
– an increase in EBITDA due to a reduction in operating lease expense and an increase in depreciation and interest expense.

The main change relates to the classification of operating leases by lessees. Only leases where a significant portion of the risks and rewards of ownership are retained by the lessor will continue to be classified as operating leases.

Currently operating leases are classified off balance sheet and disclosed as commitments. As at the reporting date, the Group had non-cancellable leases of $104.2 million (2018: $89.4 million) (refer note 25).

The new standard will require operating leases with a term greater than 12 months to be capitalised and reported on the balance sheet. Operating leases with a term of less than 12 months or which have a low value will continue to be accounted for in the Income Statement as lease expenses are incurred.

SCA's leases have been broken down into four main "portfolios" – Transmission sites, Premises, Equipment and Other. Each portfolio has been evaluated to determine the incremental borrowing rate applicable to determine the present value of outstanding commitments. The main reason for different rates relates to the duration of the lease, with shorter leases being at lower rates and longer leases at higher rates.

27. Other Accounting Policies (continued)

Impact of standards issued but not yet applied (continued)

AASB 16 *Leases* (continued)

The table below outlines the various incremental borrowing rates used:

Lease Term			
1 – 5 years	**>5 – 10 years**	**>10 – 15 years**	**>15 years**
3.90%	4.50%	5.20%	5.80%

The table below outlines the impact of the adoption of the new standard on the Group's financial statements

$ millions	Impact[1]
Initial adoption – 1 July 2019	
Balance Sheet	
Right-of-Use Asset	**$154.1**
Lease Liability	**$(154.1)**
Net Assets	–
FY2020 year, including initial adoption	
Balance Sheet – 30 June 2020	
Right-of-Use Asset	**$103.6**
Lease Liability	**$(108.2)**
Net Assets	**$(4.6)**
Income Statement – FY2020	
Lease Expense	**$14.9**
Depreciation Expense	**$(13.2)**
Interest Expense	**$(6.3)**
Net loss before tax	**$(4.6)**

1 The amounts are based on no lease additions or disposals, with the exception of the leases relating to the outsourcing of transmission services, refer Note 26 "Events Occurring after Balance Date". The Group has assessed the outsourcing contract to be a services agreement rather than a lease in accordance with AASB 16 *Leases*. On the initial adoption, $39.0 million Right-of-Use Asset and Lease Liability, relate to arrangements that have been outsourced. The forecast impact on the 30 June 2020 balance sheet and FY2020 income statement reflect this disposal.

Under the modified retrospective approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g. 1 July 2019), without restating the comparative period. The Group currently expects to use the modified retrospective approach for adoption.

DIRECTORS' DECLARATION

FOR YEAR ENDED 30 JUNE 2019

The Directors of the Company declare that:

1. in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
2. in the Directors' opinion, the financial statements and notes as set out on pages 48 to 84 are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company and the consolidated entity; and
3. the Directors have been given the declarations required by section 295A of the Corporations Act 2001.
4. Note 1(i) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act.

On behalf of the Directors

Peter Bush
Chairman
Sydney, Australia
22 August 2019

Leon Pasternak
Deputy Chairman
Sydney, Australia
22 August 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHERN CROSS MEDIA GROUP LIMITED

Independent auditor's report

To the members of Southern Cross Media Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Southern Cross Media Group Limited (the Company) and its controlled entities (together the Group or Southern Cross Austereo) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

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Our audit approach

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

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

Materiality

- For the purpose of our audit we used overall Group materiality of $5.3 million, which represents approximately 5% of the Group's profit before tax adjusted for impairment and other significant items.
- 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 the benchmark against which the performance of the Group is most commonly measured. We adjusted for impairment and other significant items as they are unusual or infrequently occurring items impacting the statement of comprehensive income.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

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 operates in Australia and the audit is conducted by one engagement team.

Key audit matters

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

Key audit matter	*How our audit addressed the key audit matter*
Impairment assessment for licences, tradenames and brands *(refer to note 10)* As at 31 December 2018, the Directors' determined a change in the Group's cash generating units (CGUs) from Metro and Regional to Audio and Television (TV) due to changes in the interdependence of cash flows. The change in CGU triggered the requirement to perform an impairment assessment at 31 December 2018. The Directors' performed an impairment assessment for the Audio and TV CGUs as at 31 December 2018 which resulted in an impairment of $226.9m in the TV CGU. The written-down value of indefinite lived intangible assets in the TV CGU is nil at 30 June 2019. The Group continues to have significant indefinite lived intangible assets in the Audio CGU, totalling $917.9 million as at 30 June 2019. The Directors' performed an impairment assessment for the Audio CGU as at 30 June 2019, and identified no impairment. This continues to be a key audit matter due to the size of the indefinite lived intangible assets and on the basis the impairment assessment involves estimates of future earnings and cash flows. Judgements made in determining whether an impairment is required include assumptions about internal and external factors such as industry growth	In designing our audit approach for the key audit matter we considered: • whether the Directors' assessment of the CGUs is consistent with evidence supporting a change in the interdependence of cash flows. This included considering key strategic and operational factors such as the aggregation of Audio assets, separation of TV assets, changes in sales strategy and changes in commissions structures • recent independent Radio and TV ratings, market share data and the relative impact on financial performance of the Group • the market capitalisation of the Group in comparison to the carrying value of the assets and the impact on the impairment assessment • regulatory, economic and market developments during the year that could impact the discount rate and the long term growth rate calculations. To evaluate the cash flow forecasts prepared for the Directors' impairment assessment we performed the following procedures, amongst others: • obtained the value-in-use discounted cash

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Key audit matter	How our audit addressed the key audit matter
rates, future market share estimates and the forecast financial performance of the Group.	flow models (the models) as at 31 December 2018 and 30 June 2019 used for impairment testing and agreed the TV CGU impairment at 31 December 2018 to the amount calculated by the model • performed mathematical accuracy checks, evaluated the terminal value methodology and assessed the appropriateness of the discount rates incorporated in the models • compared the forecasted cash flows used in the models with budgets formally approved by the Board and evaluated the Directors' ability to forecast future cash flows by considering the historical accuracy of budgeted cash flows and actual performance for July 2019 • considered whether the models' allocation of corporate costs between CGUs was reasonable and reflective of actual costs incurred • assessed key growth assumptions within the models with specific focus on forecast revenue comparing to readily available market information. We performed sensitivity analysis over key assumptions in the models to ascertain the extent of change in those assumptions that, either individually or collectively, would result in the assets being impaired and we also assessed the likelihood of such a movement in those key assumptions arising. We satisfied ourselves that the disclosure in note 10 was consistent with Australian Accounting Standards.
Indefinite lived classification of intangible assets *(refer to note 9)* On at least an annual basis, the Directors review the Group's portfolio of intangible assets to determine whether they should be classified as amortising intangible assets with finite lives or non–amortising intangibles with indefinite lives. As of 30 June 2019,	 In assessing the indefinite useful life of intangible assets we performed the following procedures, amongst others: • considered regulatory developments in the

Key audit matter	*How our audit addressed the key audit matter*
Southern Cross Austereo has audio intangible assets totalling $917.9 million, consisting of brands and licences, classified as non-amortising indefinite lived. This was a key audit matter because determination of whether or not intangibles are indefinite lived involves significant judgements over multiple sources of externally and internally generated information. The determination has an impact on the financial statements as it affects whether amortisation is recorded in the statement of comprehensive income.	year which may change the licence renewal process or use of brands • assessed whether there had been any revocation of radio licences by Australian Communications and Media Authority (ACMA) in the year • considered market share data related to new industry participants not subject to the same regulatory and licence framework • evaluated strategic plans for the Directors' intended use of the assets. We also benchmarked the assumptions and conclusion made by the Directors against a selection of similar assets held by other industry participants in the radio advertising market. In addition, we considered the significant accounting policy disclosed in note 9 for consistency with Australian Accounting Standards.
Sale of transmission assets *(refer to note 4 and 7)* The Group announced an agreement to sell its transmission towers and associated assets (transmission assets) to a service provider. As at 30 June 2019 the agreement is subject to regulatory approval. The Directors' have determined the transmission assets meet the definition of assets held for sale under Australian Accounting Standards. Consequently the assets have been revalued to fair value at 30 June 2019 leading to a $9.2m fair value loss recorded in the statement of comprehensive income. The Directors have not recognised an associated provision for restructuring as at 30 June 2019. Judgement was involved in determining whether the provision recognition criteria under Australian Accounting Standards had been met. We considered this to be a key audit matter because there is judgement involved in determining whether the	 In designing our approach for the proposed sale of transmission assets we have performed the following procedures, amongst others: • read the proposed contract and obtained an understanding of the key terms • assessed whether the transmission assets meet the criteria to be classified as held for sale as under Australian Accounting Standards • considered whether any associated costs met the criteria to be recognised in the current period under Australian Accounting Standards • obtained the Directors' estimation of the transmission assets valuation and the associated fair value loss recorded at 30 June 2019 and assessed key assumptions and methodology used in calculating the fair value

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Key audit matter	How our audit addressed the key audit matter
transmission assets meet the criteria as an asset held for sale and determining the associated fair value valuation of the assets. There was also judgement in assessing whether any associated costs met the criteria to be recognised in the current period under Australian Accounting Standards.	loss on transmission assets.
Revenue recognition *(refer to note 3 and 27)* In the current period the Group adopted the new accounting standard AASB 15 – Revenue from contracts with customers. AASB 15 requires the Group to assess their revenue transactions in accordance with five distinct steps outlined in the standard. We have considered revenue recognition a key audit matter given the significance of revenue to the Group's statement of comprehensive income and because revenue is an important metric by which the Group's performance is measured.	In designing our audit approach for revenue recognition we have performed the following procedures, amongst others: • obtained an understanding of the customer contracts, invoicing and cash receipting process • considered the Directors' assessment of the accounting treatment of material revenue streams • performed risk-based targeted substantive procedures over revenue transactions • performed controls testing over revenue systems to identify the correct airing of advertising spots • used data assurance software to analyse revenue transactions • confirmed year end accounts receivable balances directly with customers or via subsequent receipts of cash • assessed the appropriateness of the Directors' disclosure of the impact and accounting policy change arising from the adoption of AASB 15 on 1 July 2018.

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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 30 June 2019, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors' Report. We expect the remaining other information to be made available to us after the date of this auditor's report.

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

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

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

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

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:
http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 28 to 45 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Southern Cross Media Group Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Sam Lobley
Partner

Melbourne
22 August 2019

ADDITIONAL STOCK EXCHANGE INFORMATION

The additional stock exchange information set out below was applicable as at 31 August 2019. The Company has only one class of shares, fully paid ordinary shares. All holders listed below hold fully paid ordinary shares and each holder has the same voting rights.
There are no unlisted securities and there is currently no on-market buy-back.

The names of the 20 largest holders of the Company's quoted equity securities are listed below.

Name	Fully paid ordinary shares	% of issued capital
HSBC Custody Nominees (Australia) Limited	256,414,059	33.34
J P Morgan Nominees Australia Limited	153,710,727	19.99
Citicorp Nominees Pty Limited	147,069,972	19.12
National Nominees Limited	100,558,461	13.08
BNP Paribas Noms Pty Ltd (DRP)	14,444,839	1.88
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	12,499,190	1.63
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	12,290,711	1.60
AMP Life Limited	3,144,847	0.41
HSBC Custody Nominees (Australia) Limited-GSCO ECA	2,150,262	0.28
BNP Paribas Nominees Pty Ltd (IOOF Invmt Mngt Ltd DRP)	1,950,000	0.25
Warbont Nominees Pty Ltd (Unpaid Entrepot A/C)	1,583,724	0.21
Sandhurst Trustees Ltd (SISF A/C)	1,400,000	0.18
BNP Paribas Nominees Pty Ltd (Agency Lending Collateral)	1,385,000	0.18
HSBC Custody Nominees (Australia) Limited	1,357,933	0.18
HSBC Custody Nominees (Australia) Limited (NT Comnwlth Super Corp A/c)	1,264,108	0.16
Akat Investments Pty Ltd (Tag Family Core A/c)	1,250,000	0.16
UBS Nominees Pty Ltd	1,062,985	0.14
National Nominees Limited (N A/C)	947,459	0.12
BNP Paribas Nominees Pty Ltd (Australi Unity Trst Ltd DRP)	827,104	0.11
Buttonwood Nominees Pty Ltd	825,561	0.11
	716,136,942	**93.12**

Analysis of numbers of equity security holders by size of holding:

Range	Number of shareholders	Fully paid ordinary shares
1 – 1,000	851	335,944
1,001 – 5,000	1,297	3,846,316
5,001 – 10,000	750	5,977,153
10,001 – 100,000	1,090	8,904,011
100,001 and over	87	729,950,181
	4,075	**769,013,605**
Holding less than a marketable parcel	455	28,088

Substantial holders in the Company (with holdings as notified to the Company most recently before 31 August 2019) are set out below:

Name	Fully paid ordinary shares	% of issued capital
Allan Gray Australia Pty Ltd and its related bodies corporate	104,290,468	15.74
Ubique Asset Management Pty Limited	88,159,266	10.42
Investors Mutual Ltd and its related bodies corporate	50,472,655	7.30
Commonwealth Bank of Australia and its related bodies corporate	47,073,414	7.13
Challenger Limited and its related bodies corporate	41,749,281	6.17
Vinva Investment Management	38,862,611	5.09
Retail Employees Superannuation Pty Limited	38,568,350	5.02
Dimension Fund Advisors LP and related entities	38,458,228	56.87
	447,634,273	

Securities subject to voluntary escrow are set out below:

Type	Date escrow period ends	Fully paid ordinary shares
Voluntary escrow	n/a	–

CORPORATE DIRECTORY

Southern Cross Media Group Limited
ABN 91 116 024 536

Company Secretary
Mr Tony Hudson

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Level 2, 257 Clarendon Street
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Share Registry
Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
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+61 3 9415 4062 (from outside Australia)
Investor Centre:
https://www-au.computershare.com/investor/

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Source: GFK Radio Ratings. Survey 4 2019- Metro. Gold Coast, Canberra Survey, Newcastle Survey 1 2019. Mon-Sun 5:30-12mn, Cume. Xtra Insights West Gippsland, Orange, Rocky-Gladstone, Bunbury Survey 1 2016, Mon-Sun 05:30-12mn, Cume. Wheatbelt, Esperance, Dubbo, Mt Isa, Kingaroy, Roma, Emerald, Port Macquarie, Albury, Albany, Kalgoorlie, Maryborough Survey #1 2017, Mon-Sun 5:30-12mn Cume. Xtra Insights Mackay, Shepparton, Cairns, Toowoomba, Bundaberg, Gosford, Hobart, Mildura, Townsville, Bendigo Survey #1 2018 Mon-Sun 5:30-12mn, Xtra Insights Mt Gambier, Griffith, Wagga and Coffs Harbour Survey #1 2019 Mon-Sun 05:30-12mn, Cume.
REGIONAL TAM DATA. 4AGGS & TAS. WEEKLY CUME REACH (1 MIN) AVERAGED. 0200-2600. SUN-SAT. NETWORK TTLS. WK 27 2018 - 26 2019 excl. Easter and Summer Ratings Periods. DIARY MARKETS - LAST AVAILABLE SURVEY. 0600-2400. SGT - 2015 (MIDNIGHT - MIDNIGHT).