ASX RELEASE **20 AUGUST 2020**

APPENDIX 4E
FOR THE YEAR ENDED 30 JUNE 2020

Results for Announcement to the Market (All comparisons to restated 30 June 2019)

Key Financial Information	$'000	up/down	% movement
Revenue from ordinary activities	540,152	Down	18.2%
Net profit from ordinary activities after tax (including significant items)	25,100	Up	N/A
Net profit from ordinary activities after tax (excluding significant items)	34,193	Down	53.7%

Dividend Information	Amount per share cents	Franked amount per share cents	Tax rate for franking credit
Interim FY2020 dividend per share	-	-	-
Final FY2020 dividend per share	-	-	-

The dividend reinvestment plan has been suspended.

The Group announced the cancellation of the 2020 interim dividend in response to the business impacts of the COVID-19 pandemic. The Group confirmed there will be no final dividend paid for the year ended 30 June 2020.

	30 Jun 20	30 Jun 19
Net Tangible Assets Per Security	($0.08)*	$(0.27)

*Excludes the right-of-use asset recognised under AASB 16 Leases

Additional Appendix 4E disclosure requirements can be found in the directors' report, financial statements and notes to the financial statements contained in the Southern Cross Austereo Financial Report for the year ended 30 June 2020. This report is based on the consolidated Financial Report for the year ended 30 June 2020 which has been reviewed by PricewaterhouseCoopers with the Independent Auditor's Report included in the Financial Report.

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Approved for release by the Board of Directors.

SOUTHERN CROSS AUSTEREO

FULL YEAR REPORT

FOR YEAR ENDED 30 JUNE 2020

Southern Cross Austereo comprises Southern Cross Media Group Limited and its subsidiaries. Southern Cross Media Group Limited Is a company limited by shares and incorporated and domiciled in Australia. The registered office of Southern Cross Media Group Limited is Level 2, 257 Clarendon Street, South Melbourne, Victoria 3205 Australia. Tel: +61 3 9252 1019.

The financial statements were authorised for issue by the Directors on 20 August 2020. 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 2020 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 2020. 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 until 19 August 2020)
- Rob Murray (Chairman from 19 August 2020)
- Leon Pasternak (Deputy Chairman)
- Grant Blackley
- Glen Boreham
- Helen Nash
- Melanie Willis

At the Board meeting on 19 August 2020 Peter Bush stepped down as Chairman and Rob Murray was elected by the Board as Chairman.

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 $540.2 million, a decrease of 18.2% on the prior year revenues of $660.1 million, and Earnings before Interest, Taxes, Depreciation and Amortisation ("EBITDA") of $108.2 million, a decrease of 30.9% on prior year EBITDA, (before loss on assets held for sale), of $156.6 million, due to weak conditions in advertising markets in the earlier part of the year, and in the fourth quarter for the COVID-19 health crisis. Net profit after tax was $25.1 million for the year ended 30 June 2020, from a net loss after tax of $91.4 million for the same period in the prior year. The current period results were impacted by a change in the accounting policy following the adoption of AASB 16 *Leases*, as disclosed in note 29.

EBITDA is a measure that, in the opinion of the directors, is a useful supplement to net profit in understanding the cash flow generated from operations and available for payment of income taxes, debt service and capital expenditure. EBITDA is useful to investors because analysts and other members of the investment community largely view EBITDA as a widely recognised measure of operating performance. EBITDA disclosed within the Directors' Report is equivalent to "Profit before depreciation, amortisation, interest, fair value movements on financial derivatives and income tax expense for the half year" included within the Statement of Comprehensive Income.

Review and Results of Operations (continued)

Significant Items

During 2020, the Group recognised restructuring charges of $2.9 million, which related to the outsourcing of transmission services and cost out programs. The Group also recognised the impairment against investments of $6.1 million, following assessments that their estimated recoverable amounts were less than their carrying values, as a result of the economic impacts of the COVID-19 pandemic.

JobKeeper Payment

As part of its response to COVID-19, in March 2020 the Australian Government announced various stimulus measures resulting from the economic fallout from the coronavirus lockdown. One such stimulus measure was the payment of subsidies to qualifying employers under the Jobkeeper Payment scheme ("Jobkeeper") The initial JobKeeper payments are a wage subsidy whereby employers who qualify for the stimulus receive $1,500 per fortnight for each eligible employee who was employed by the company during the period April 2020 to September 2020.

The Group has determined that it is eligible to receive the initial JobKeeper payments, which totalled $16.1 million in the period to 30 June 2020.

On 21 July 2020 the Australian Government announced an extension of the JobKeeper Payment scheme to 28 March 2021 at lower rates. Qualification for the extension scheme is dependent on future events, therefore the Group is unable to determine whether it will qualify for any or all of the payments beyond 27 September 2020.

Public Interest News Gathering program

On 29 June 2020, the Group announced it had been found eligible for funding of approximately $10 million under the Commonwealth Government's Public Interest News Gathering (PING) program. The grant to eligible regional media businesses will be deployed across the 12 month period from 1 July 2020.

Segment Profit & Loss

	2020 $'m	**2019 $'m**	**Variance**
Audio	370.5	452.4	(18.1%)
Television	169.5	207.3	(18.2%)
Corporate	0.2	0.4	(60.9%)
Total Revenue	**540.2**	**660.1**	**(18.2%)**
EBITDA			
Audio	108.5	148.7	(27.0%)
Television	23.9	25.2	(5.2%)
Corporate	(24.2)	(26.5)	8.7%
Total EBITDA	**108.2**	**147.4**	**(26.6%)**
Group NPAT	**25.1**	**(91.4)**	**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. Following a rebranding of the Hit Network in July 2020, the network remains female skewed but the core demographic has been increased towards people aged 30 to 54.

The Audio business saw revenue fall by 18.1%, which led to EBITDA decline of 27.0%, with declines in both the Australian capital cities and regional Australia.

The metropolitan free-to-air radio advertising market decreased 20.2% year on year, which combined with a fall in market share led to a 25.3% decline in the Group's metro radio advertising revenues. Revenues from digital audio streaming and podcasting doubled to $7.1 million and are expected to contribute to earnings growth in FY21.

Regional radio performed somewhat better, although advertising revenues were down by 13.1% on 2019. The decline in revenues was shared evenly, with both national agency and local revenues down 13.1% as a result of the reduction in the advertising market as a result of the economic impact of COVID-19.

Audio expenses fell by 14.0%, or 9.8% excluding the impact of AASB16 and significant items, as a result of JobKeeper payments and other reductions in payroll costs due to pay reductions and workforce planning in the last quarter of FY20.

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 exacerbated by the impact of COVID-19, which led to an 18.2% decline in Television revenues. As a result, despite the JobKeeper payments and other reductions in payroll costs due to pay reductions and workforce planning in the last quarter of FY20, Television EBITDA declined by 40.5%.

Corporate

The Corporate function comprises the group wide centralised functions of the Group, including the group wide technology function. Corporate expenses decreased due to JobKeeper payments and other reductions in payroll costs due to pay reductions and workforce planning in the last quarter of FY20, partly offset by increasing insurance costs.

Financial position

The Group raised $168.6 million in an equity raising completed in May 2020 as part of a range of actions to help strengthen its financial position following the economic impact of the COVID-19 pandemic on its operations. As a result the Group's net debt reduced by 55.0% on 2019 to finish the year at $131.6 million. The Group's key leverage ratio improved to 1.24 times, down from 1.76 times in June 2019, while interest cover reduced to 8.38 times, down from 13.03 times in June 2019, still significantly above the covenant of 3.0 times, despite the reduction in performance due to COVID-19.

Review and Results of Operations (continued)

Strategic update

In FY19 the Group refined its corporate strategy to have the following key objectives:

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

The COVID-19 health crisis has led the Board and management to review the corporate strategy to ascertain what changes should be made in light of the evolving landscape. The COVID-19 pandemic is altering the behaviours of consumers and is accelerating the digitalisation of many facets of peoples lives. SCA's updated strategy is still in the

process of being developed but SCA continues to focus on the development of its audio business and the development of its digital product set. This involves enabling the distribution of its existing broadcast assets across all platforms coupled with the ongoing development of new digital audio products. SCA's podcasting network, PodcastOne Australia, continues to grow with revenues increasing by 96% in the financial year.

As well as developing content for distribution across digital networks, SCA has also implented technology to enable digital audio to be sold on an addressable basis using Instream technology. SCA's partnership with the global music streaming platform, Soundcloud has expanded the available pool of digital audio inventory that SCA is able to sell.

In addition to SCA's focus on being the leading audio company in Australia, the Group continues to work on growing the proportion of national advertising that gets invested in regional markets. This is being achieved through a collaborative industry initiative, 'Boomtown' which SCA is delivering in conjunction with its regional industry peers in television, radio, print and digital assets.

2021 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 increased production and monetisation of digital audio. In Television, SCA will seek to achieve further improvements in power ratio through its sales performance whilst optimising earnings following the completion of the outsourcing of both playout and transmission services. Financial performance for the Group in FY21 will be impacted by the ongoing COVID-19 crisis and the pace of recovery will be influenced by the duration and extent of the health related restrictions in each market in which the Group operates.

Review and Results of Operations (continued)

Material Risks

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

Risk	Mitigation Strategies
Economic shape of recovery reduces shareholder returns during the economic recovery phase of the COVID-19 pandemic	COVID-19 has severely impacted economic activity, with declines in certain sectors and with significant impacts on the Australian economy, increasing unemployment and economic contraction due to the pandemic. SCA has strengthened its capital structure, with the $169 million equity raise in April 2020, and implemented many measures to improve its cash flow. The Group has taken a series of measures to improve its operating structure and will be taking further steps that will reduce its cost base in FY21 and which will create a leaner operating model for the future.
SCA radio networks are not positioned to maximise market share and SCA is unable to find and retain market leading talent	Listener behaviours and tastes change over time, which requires networks to adapt and position themselves to ensure they continue to have strong appeal to broad audience segments. SCA has been reviewing its Hit and Triple M brands and is developing strategies for each network for implementation in FY 2021. In July 2020 the Group announced a rebranding of the Hit Network to ensure that it continues to appeal to broad demographic segments and with a consistent approach across the network. Finding and retaining market leading 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. 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	SCA has core expertise in the development of market leading content and constantly reviews the evolving distribution landscape to understand how it can continue to serve market leading content through new and innovative products. Examples of new product innovation include: • SCA's website and apps, which provide personalisation for signed in users • PodcastOne Australia 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 over 85 creators and monetisation is growing as audiences and advertisers embrace the medium. • SCA is also working on new digital audio products to continue to expand its offering to consumers and SCA also works with global technology platforms to broaden the distribution of its content.

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 2.6m[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 SCAs 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 2019 Ordinary	4.00	30.8	8 October 2019
Interim 2020 Ordinary	-	-	-

On 6 April 2020, the Group announced the cancellation of the 2020 interim dividend to maximise liquidity in response to the business impacts of the COVID 19 pandemic. Further the Group confirmed there will be no final dividend paid for the year ended 30 June 2020.

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 28 '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 have 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 $1,425,241 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 25.

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

Robert Murray

Appointed 1 September 2014

Most recently elected by shareholders: 24 October 2017

Board Committees: People & Culture Committee, Nomination Committee

Rob became Chair of the Company on 19 August 2020.

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

Peter Bush

Appointed 25 February 2015

Most recently elected by shareholders: 23 October 2018

Board Committees: Chairman, Nomination Committee

Peter stood down as Chair of the Company on 19 August 2020.

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 ASX200 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.

Information on Directors (continued)

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.
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 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.

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, QBE Insurance (AusPac) and Chief Executive Women and from her former positions as a director of Mantra, Pepper Group and Ardent Leisure. Melanie previously chaired the audit and risk commitee at Mantra and was a member of the audit committee at Pepper Group. She currently chairs the risk committee and is a member of the audit committee at Challenger, and chairs the audit committee and people and culture committee at PayPal Australia.

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.

During the year, member of the Nomination Committee met informally to discuss Board succession and the Board engaged Egon Zehnder to help with succession matters. The Nomination Committee has worked with Egon Zehnder to develop a short list of candidates for future appointment as non-executive directors.

			Meetings of Committees			
	Board[2]		Audit & Risk		People & Culture	
Director	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]
Peter Bush[2]	16	16	4	*	3	*
Leon Pasternak	15	16	3	*	3	*
Grant Blackley	16	16	4	*	3	*
Glen Boreham	16	16	4	4	3	3
Rob Murray	16	16	2	*	3	3
Helen Nash	16	16	4	4	3	3
Melanie Willis	16	16	4	4	3	3

1 This refers to the number of meetings held during the year while the director held office or was a member of the relevant committee.

2 Eight Board meetings were originally scheduled during the year. Additional meetings were held for the purposes of the equity raising conducted in April and May 2020 and to monitor the Company's financial and operational performance under the impact of the COVID-19 health crisis and the associated government restrictions.

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

Remuneration Report

Letter from People & Culture Committee

Overview

On behalf of the Board, I am pleased to present the Company's 2020 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**). Shareholders will recall that the Company's STI plan applies a balanced scorecard to assessment of the performance of the CEO and other leadership executives (**executive KMP**) 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. STI awards for the CEO and other members of the senior leadership team are settled partly in cash and partly in equity.

The Board sets performance conditions each year under the Company's LTI plan. Since FY2018, those performance conditions have been based on the Company's earnings per share (**EPS**) and return on invested capital (**ROIC**) over a performance period of three years. Vested awards under the LTI plan are settled in equity.

The CEO is required to accumulate a minimum shareholding with a value equivalent to 100% of the CEO's fixed remuneration and other leadership executives are required to accumulate a minimum shareholding with a value equivalent to 50% of their fixed remuneration. All leadership executives subscribed for their full entitlements in the equity raising conducted during the year. Details of shares held by leadership executives are provided in the Remuneration Report.

Remuneration impacts of COVID-19

The COVID-19 health crisis and the measures implemented by federal, state and territory governments in response had a severe impact on the Company's business and operations during the year and will continue to do so in the year ahead. The Board and the Company's senior leadership team took decisive actions to enable the Company to trade through the crisis and rebound when the recovery phase begins. These actions included implementing a temporary across-the-board reduction of 10% in the fixed remuneration of all directors, executives, and employees earning over $68,000, cancelling executive STI awards and other commissions and bonuses, and cancelling all unvested LTI awards. These actions did not reflect on the effort or quality of work by executives during the year; rather they acknowledged the impact of COVID-19 on the Company's financial performance and on returns to the Company's shareholders. Taking advantage of the federal government's JobKeeper scheme, management also reduced the working hours of employees in all functions and locations to match the available work.

Along with proactive steps taken to strengthen the Company's balance sheet and liquidity – including renegotiation of the Company's banking facilities and the $169M equity raising completed in May - these remuneration initiatives have helped to stabilise the business, enabling the Board and the senior leadership team to shift to planning for the future.

Executive remuneration planning for FY2021

In the current uncertain economic environment, it is challenging to set an annual budget, let alone long term financial targets. For these reasons, although it has retained the same framework for executive remuneration, the Board intends to adjust the variable components to ensure they provide appropriate incentives to drive performance by management.

It is intended that the current 10% reduction in the fixed remuneration of executives and non-executive directors will be unwound from 1 October 2020. Unless there is significant improvement in business performance and general economic conditions, it is expected there will be no other changes in FY2021 to executive fixed remuneration or the fees of non-executive directors. The STI and LTI components will each continue to be 30% of the CEO's total remuneration and generally 30% and 20% respectively of the total remuneration of other leadership executives. Adjustments may be made to the remuneration packages of the Chief Content Officer and the Chief Marketing and

Communications Officer to transition the mix of their remuneration to these percentages. The STI plan will continue to be assessed in three categories: profitability and financial performance (40%), high level operational improvements (40%) and cultural and behavioural influences (20%). The Board has decided to remove the previous out-performance opportunity for the profitability and financial performance category in FY2021. This will avoid this opportunity potentially being triggered by an unexpected improvement in economic conditions during the year. Removal of the out-performance opportunity will result in executives' maximum STI opportunity being capped at target, representing a reduction of about 30%. STI awards will continue to be settled partly in cash and partly in equity (25% for the CEO and 20% for other leadership executives).

The PCC and the Board are in the process of finalising specific goals within the above categories for executive KMP in FY2021. Setting meaningful financial targets is challenged by the ongoing health and economic impacts of COVID-19 and the uncertain timing and rate of recovery from those impacts. The Board will consider the STI scorecard outcome for each executive at the end of FY2021 and will exercise judgment and discretion where necessary to ensure FY2021 STI outcomes are appropriate in the context of SCA's financial performance and delivery of agreed strategic priorities and outcomes. The Board will focus on factors that management can influence to deliver superior results. These will include safety and security of the Company's people and workplaces, maintenance and growth of the Company's market share in metro and regional radio, revenue to ratings power ratios in regional television, the development of existing and new digital audio products, and implementation of a lean and effective operating model to ensure SCA emerges stronger from the COVID-19 crisis.

The Board believes it is important to foster actions and behaviours by executives that will deliver long term success for the Company and our shareholders. The Board intends that the LTI plan will continue to operate over a three year performance period with vesting conditions that will align with the interests of shareholders in rebuilding value and resuming a reliable flow of dividends. Because of the challenges of setting long term financial targets in the current economic environment, the Board has not yet finalised the performance conditions that will apply under the LTI plan for FY2021. The Board expects to do so shortly and to provide details to shareholders at this year's AGM to be held in October.

Board remuneration

As noted above, apart from unwinding the current temporary 10% reduction in the fees of non-executive directors, it is expected there will be no other changes to the remuneration of non-executive directors in FY2021. Further details of current Board remuneration arrangements are provided in the Remuneration Report.

The significant fall in the price of the Company's shares during the year resulted in the value of the shareholdings of all non-executive directors (other than Leon Pasternak) reducing below the minimum requirement under the Non-executive Director Share Ownership Policy. This is despite all non-executive directors previously having acquired sufficient shares and all non-executive directors also taking up their full entitlements in the equity raising conducted during the year. The Board has resolved that current non-executive directors will be required to re-establish their required minimum shareholding by 30 June 2023. Details of shares held by non-executive directors are provided in the Remuneration Report.

New non-executive directors will be required to establish their minimum shareholding within three years after appointment in accordance with 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 be designed to achieve that objective. We look forward to your feedback and to welcoming you to our 2020 Annual General Meeting.

Yours faithfully,

Helen Nash

Helen Nash
Chair of the People & Culture Committee

1. Overview of FY2020 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 statutory remuneration received by executive KMP in FY2019 and FY2020.

		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	**2020**	**788,641**	**0.0**	**0.0**	**100.0**	**39.0**	**61.0**
Chief Executive Officer and Managing Director	2019	1,869,156	36.5	90.3	9.7	71.5	28.5
Nick McKechnie	**2020**	**436,772**	**0.0**	**0.0**	**100.0**	**39.0**	**61.0**
Chief Financial Officer	2019	795,935	29.8	90.0	10.0	71.5	28.5
John Kelly	**2020**	**438,645**	**0.0**	**0.0**	**100.0**	**39.0**	**61.0**
Chief Operating Officer	2019	831,750	30.8	94.5	5.5	-	-
Brian Gallagher	**2020**	**426,051**	**0.0**	**0.0**	**100.0**	**39.0**	**61.0**
Chief Sales Officer	2019	764,592	26.8	78.0	22.0	71.5	28.5
Stephen Haddad	**2020**	**370,645**	**0.0**	**0.0**	**100.0**	**-**	**-**
Chief Technology Officer	2019	465,974	19.6	94.0	6.0	-	-
Dave Cameron[2]	**2020**	**180,445**	**0.0**	**0.0**	**100.0**	**-**	**-**
Chief Content Officer	2019	-	-	-	-	-	-
Nikki Clarkson[3]	**2020**	**135,602**	**0.0**	**0.0**	**100.0**	**-**	**-**
Chief Marketing and Communications Officer	2019	-	-	-	-	-	-
Annaliese van Riet[4]	**2020**	**102,502**	**0.0**	**0.0**	**100.0**	**-**	**100.0**
Chief People and Culture Officer	2019	-	-	-	-	-	-
Guy Dobson[5]	**2020**	**-**	**-**	**-**	**-**	**-**	**-**
Chief Content Officer	2019	853,211	(1.3)	53.5	46.5	71.5	28.5
Total executive KMP	**2020**	**2,879,303**	**0.0**	**0.0**	**100.0**	**17.3**	**82.7**
	2019	5,580,618	26.2	83.4	16.6	71.5	28.5

1 The vested and forfeited proportion of LTI entitlements relate only to those LTI entitlements in the FY2017 LTI scheme that were eligible for vesting during the year. The vesting and foreited proportions do not relate to the cancelled FY2018, FY2019 and FY2020 LTI schemes.

2 Dave Cameron was appointed as Chief Content Officer and joined the Company's senior leadership team on 1 January 2020. He was not a KMP during FY2019.

3 Nikki Clarkson was appointed as Chief Marketing & Communications Officer and joined the Company's senior leadership team on 1 January 2020. She was not a KMP during FY2019.

4 Annaliese van Riet joined the Company and the Company's senior leadership team as Chief People & Culture Officer on 20 January 2020. She ceased employment with the Company on 27 March 2020.

5 Guy Dobson ceased employment with the Company on 4 January 2019.

1.2. Non-executive directors

The aggregate remuneration of the Company's non-executive directors during the year was $1,111,988, compared to $1,120,500 in FY2019. 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 FY2019 and FY2020. 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

	Target remuneration mix					
Executive KMP	**Fixed remuneration**		**STI**		**LTI**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Grant Blackley	40%	40%	30%	30%	30%	30%
John Kelly	50%	50%	30%	25%	20%	25%
Nick McKechnie	50%	50%	30%	25%	20%	25%
Brian Gallagher	50%	50%	30%	25%	20%	25%
Stephen Haddad	60%	70%	20%	15%	20%	15%
Dave Cameron[1]	77%	-	9%	-	14%	-
Nikki Clarkson[1]	60%	-	20%	-	20%	-
Annaliese van Riet[1]	60%	-	20%	-	20%	-
Guy Dobson[2]	-	76%	-	12%	-	12%

1 Dave Cameron, Nikki Clarkson and Annaliese van Riet were not executive KMP during FY2019.

2 Guy Dobson ceased employment with the Company on 4 January 2019.

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.

As disclosed in last year's financial report, the Board approved increases of between 2.5% and 6.7% in the fixed remuneration of executive KMP in FY2020. These adjustments were made before the impact of COVID-19 and were consistent with the Board's policy of providing executive reward between the median and 75th percentile of relevant peers according to independent benchmarking.

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 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 STI awards of executive KMP are payable partly in cash and partly in equity. The equity component for the CEO is 25% of the STI award. The equity component for other executive KMP is 20% of the STI award.

The Board may elect to pay the STI award 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 Content 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 FY2020 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 applied for the CEO, CFO and COO.
- **Group EBITDA compared with budget**: Focuses on the performance of the operating business. This metric applied 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 applied 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 typically applies for the Chief Content 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. Sales-related targets are not used as gateway targets. This recognises the significant impact on sales performance of market factors that are beyond the control of management.

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 target 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 may be subject to retention under the Senior Executive Share Ownership Policy until the executive has accumulated the minimum shareholding required 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 and about 20 other executives 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.
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 are announced to ASX; less • the amount of any final dividend per share declared as payable in respect of the prior financial year.
How is the incentive delivered?	To the extent the applicable vesting conditions are satisfied at the end of the applicable 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. Shares allocated under the LTI plan to executive KMP may be subject to restrictions on disposal under the Senior Executive Share Ownership Policy until the executive has accumulated the minimum shareholding required under that policy.

What are the performance measures and hurdles?

Each grant under the LTI plan has two equally weighted performance hurdles over the applicable performance period: Return on Invested Capital (**ROIC**) and Absolute Earnings per Share (**EPS**).

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 were eligible to vest according to the following schedule:

ROIC Performance in FY2022	% of allocation that vests
Below 8.8%	Nil
8.8%	50%
8.8% - 11.2%	Straight-line vesting between 50% and 100%
At or above 11.2%	100%

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% - 8% CAGR	Straight-line vesting between 50% and 100%
At or above 8% CAGR	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 would have been achieved if the Company's adjusted ROIC performance in FY2022 is at or above 8.8%. 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.
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. 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	If a change of control occurs 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 Plan requires executive KMP to retain 25% of the shares allocated to them upon vesting of performance rights until they achieve the required minimum shareholding or cease to be employed by the Company.

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 2020	30 June 2019	30 June 2018	30 June 2017	30 June 2016
	$'000	$'000	$'000	$'000	$'000
Revenue	540,152	660,088	656,784	691,021	641,129
EBITDA	108,232	147,382	158,439	181,170	169,296
EBITDA %	*20.0%*	*22.3%*	*24.1%*	*26.2%*	*26.4%*
Net profit before tax	38,294	(129,475)	2,519	125,747	113,334
Net profit after tax (NPAT)	25,100	(91,395)	82	107,169	76,657
NPAT %	*4.6%*	*(13.8%)*	*0.0%*	*15.5%*	*12.0%*
Net profit after tax excluding significant items	34,193	73,879	73,932	107,169	76,653
NPAT % excluding significant items	*6.3%*	*11.2%*	*11.3%*	*15.5%*	*12.0%*
EPS (cents)[1]	1.77	6.5	6.5	9.57	6.84
ROIC[2]	4.7%	8.9%	9.0%	10.4%	9.2%
	30 June 2020	**30 June 2019**	**30 June 2018**	**30 June 2017**	**30 June 2016**
Opening share price	$1.25	$1.31	$1.25	$1.25	$0.97
Closing share price	$0.17[3]	$1.25	$1.31	$1.25	$1.25
Dividend/Distribution	4.00c[4]	7.75c	7.75c	7.25c	6.25c

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 ROIC as a measure under the LTI Plan in FY2016.

3 On 4 May 2020, the Company completed a $169.6 million equity raising. The equity raising consisted of a pro-rata accelerated non-renouncable rights issue and placement, resulting in the issue of 1,873,092,080 shares.

4 On 6 April 2020, the Group announced the cancellation of the interim dividend to maximise liquidity in response to the business impacts of the COVID 19 pandemic.

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 performance of the Company's FY2017 LTI plan over the applicable performance period and, for this purpose, to determine the Group's TSR ranking within the comparator group and EPS growth over the applicable performance period. Deloitte was paid $3,000 for these services.

KPMG was engaged during the year to provide an independent report benchmarking the remuneration of the Company's executive KMP and its non-executive directors. This included advice about market practice for share ownership by executive KMP and the taxation implications for the Company and executives. KPMG did not make any remuneration recommendations (as defined in the Corporations Act). The remuneration of the Company's executive KMP and non-executive directors was adjusted following consideration of that benchmarking report. KPMG was paid $19,500 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 2019 and 2020 and those that will apply in 2021. The amounts shown for 2020 and 2021 do not take account of the temporary 10% reduction in fees between April 2020 and September 2020 in response to the impact of COVID-19.

	2019	2020[2]	2021[2]
	$	$	$
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	23,000	23,000	23,000
Audit & Risk Committee – member	15,500	15,500	15,500
People & Culture Committee – Chair[1]	16,500	23,000	23,000
People & Culture Committee – member	11,000	15,500	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 2020 and will not be paid during 2021.

2 Because of the impact on the Company's business of the COVID-19 health crisis and the lockdown measures implemented by federal, state and territory governments in response to the crisis, the fees paid to non-executive directors for the period from 1 April 2020 to 30 June 2020 were reduced by 10%. This reduction will continue until 30 September 2020. The above fees relate to the Board approved amounts prior to the 10% reduction.

3. Remuneration of executive KMP and directors during the year

3.1 Total remuneration received by executive KMP in FY2020 (non-statutory disclosures)

The remuneration in the table below is aligned to the current performance period 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 the current year.

KMP executive	Year	Cash salary and fees	STI bonus	Non-monetary benefits	Super-annuation benefits	LTI vested in the year[1]	Total
		$	$	$	$	$	$
Grant Blackley	**2020**	**1,142,762**	**-**	**4,974**	**21,003**	**366,057**	**1,534,796**
Chief Executive Officer and Managing Director	2019	1,147,976	750,227	5,025	20,531	489,272	2,413,031
Nick McKechnie	**2020**	**527,274**	**-**	**2,705**	**21,003**	**79,991**	**630,973**
Chief Financial Officer	2019	525,251	245,554	3,498	20,531	244,636	1,039,470
John Kelly	**2020**	**539,707**	**-**	**4,974**	**21,003**	**82,701**	**648,385**
Chief Operating Officer	2019	541,651	265,489	5,025	20,531	-	832,696
Brian Gallagher	**2020**	**523,857**	**-**	**4,974**	**21,003**	**79,991**	**629,825**
Chief Sales Officer	2019	525,251	212,995	5,025	20,531	163,089	926,891
Stephen Haddad[2]	**2020**	**366,496**	**-**	**4,974**	**21,003**	**-**	**392,473**
Chief Technology Officer	2019	349,249	75,200	5,025	20,531	-	450,005
Dave Cameron[2]	**2020**	**195,034**	**-**	**1,345**	**10,501**	**-**	**206,880**
Chief Content Officer	2019	-	-	-	-	-	-
Nikki Clarkson[3]	**2020**	**133,475**	**-**	**1,345**	**10,501**	**-**	**145,321**
Chief Marketing & Communications Officer	2019	-	-	-	-	-	-
Annaliese van Riet[4]	**2020**	**48,782**	**-**	**924**	**8,495**	**-**	**58,501**
Chief People & Culture Officer	2019	-	-	-	-	-	-
Guy Dobson[5]	**2020**	**-**	**-**	**-**	**-**	**-**	**-**
Chief Content Officer	2019	1,005,523	26,733	2,532	15,399	163,089	1,213,276
Total executive KMP	**2020**	**3,477,387**	**-**	**26,215**	**134,512**	**608,740**	**4,247,154**
	2019	4,094,901	1,576,198	26,130	118,054	1,060,086	6,875,369

1 The LTI entitlements that vested during the year were from the FY2017 LTI plan. All share based payments in the year were equity settled.

2 Dave Cameron was appointed as Chief Content Officer and joined the Company's senior leadership team on 1 January 2020. He was not a KMP during FY2019.

3 Nikki Clarkson was appointed as Chief Marketing & Communications Officer and joined the Company's senior leadership team on 1 January 2020. She was not a KMP during FY2019.

4 Annaliese van Riet joined the Company and the Company's senior leadership team as Chief People & Culture Officer on 20 January 2020. She ceased employment with the Company on 27 March 2020.

5 Guy Dobson ceased employment with the Company on 4 January 2019.

3.2 Total remuneration received by Executive KMP in FY2020 (statutory disclosure)

The table below sets out the nature and amount of each major element of the remuneration of each executive KMP in FY2020 and FY2019.

		Short-term employee benefits				Post-employ-ment	Long Service Leave[1]	Termination benefits	Share-based payments	Total	Performance -related proportion
Executive	**Year**	**Salary and fees**	**STI bonus[2]**	**Non-monetary**	**Total**	**Super con-tribution**			**Performance rights[3]**		
		$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Grant Blackley	**2020**	**1,142,762**	**-**	**4,974**	**1,147,736**	**21,003**	**34,970**	**-**	**(415,068)**	**788,641**	**0.0**
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
Nick McKechnie	**2020**	**527,274**	**-**	**2,705**	**529,979**	**21,003**	**20,181**	**-**	**(134,391)**	**436,772**	**0.0**
Chief Financial Officer	2019	525,251	245,554	3,498	774,303	20,531	9,102	-	(8,001)	795,935	29.8
John Kelly	**2020**	**539,707**	**-**	**4,974**	**544,681**	**21,003**	**11,308**	**-**	**(138,347)**	**438,645**	**0.0**
Chief Operating Officer	2019	541,651	265,489	5,025	812,165	20,531	8,389	-	(9,335)	831,750	30.8
Brian Gallagher	**2020**	**523,857**	**-**	**4,974**	**528,831**	**21,003**	**10,611**	**-**	**(134,394)**	**426,051**	**0.0**
Chief Sales Officer	2019	525,251	212,995	5,025	743,271	20,531	9,107	-	(8,317)	764,592	26.8
Stephen Haddad	**2020**	**366,496**	**-**	**4,974**	**371,470**	**21,003**	**6,466**	**-**	**(28,294)**	**370,645**	**0.0**
Chief Technology Officer	2019	349,249	75,200	5,025	429,474	20,531	-	-	15,969	465,974	19.6
Dave Cameron[4]	**2020**	**195,034**	**-**	**1,345**	**196,379**	**10,501**	**(18,817)**	**-**	**(7,618)**	**180,445**	**0.0**
Chief Content Officer	2019	-	-	-	-	-	-	-	-	-	-
Nikki Clarkson[5]	**2020**	**133,475**	**-**	**1,345**	**134,820**	**10,501**	**(578)**	**-**	**(9,141)**	**135,602**	**0.0**
Chief Marketing & Communications Officer	2019	-	-	-	-	-	-	-	-	-	-
Annaliese van Riet[6]	**2020**	**48,782**	**-**	**924**	**49,706**	**8,495**	**-**	**44,301**	**-**	**102,502**	**0.0**
Chief People & Culture Officer	2019	-	-	-	-	-	-	-	-	-	-
Guy Dobson[7]	**2020**	-	-	-	-	-	-	-	-	-	-
Chief Content Officer	2019	325,947	26,733	2,532	355,212	15,399	(159,212)	679,576	(37,764)	853,211	(1.3)
Total executive KMP	**2020**	**3,477,387**	**-**	**26,215**	**3,503,602**	**134,512**	**64,141**	**44,301**	**(867,253)**	**2,879,303**	**0.0**
	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

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 19 August 2020 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 fair value of the rights recognised as an expense in each reporting period.

4 Dave Cameron was appointed Chief Content Officer with effect from 1 January 2020. He was not an executive KMP in FY2019.

5 Nikki Clarkson was appointed Chief Marketing & Communications Officer with effect from 1 January 2020. She was not an executive KMP in FY2019.

6 Annaliese van Riet joined the Company and the Company's senior leadership team as Chief People & Culture Officer on 20 January 2020. She ceased employment with the Company on 27 March 2020.

7 Guy Dobson ceased employment with effect from 4 January 2019.

8 Because of the impact on the Company's business of the COVID-19 health crisis and the lockdown measures implemented by federal, state and territory governments in response to the crisis, the Board has cancelled all outstanding performance rights under the LTI plan.

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 FY2020 and FY2019.

		Short-term employee benefits			Post-employment	Total
Non-executive director	**Year**	**Salary and fees**	**Non-monetary**	**Total**	**Super contribution**	
		$	**$**	**$**	**$**	**$**
Peter Bush	**2020**	**245,172**	**-**	**245,172**	**21,003**	**266,175**
Chairman	2019	252,469	-	252,469	20,531	273,000
Leon Pasternak	**2020**	**156,713**	**-**	**156,713**	**14,887**	**171,600**
Deputy Chairman	2019	160,732	-	160,732	15,268	176,000
Glen Boreham	**2020**	**156,047**	**-**	**156,047**	**7,266**	**163,313**
Non-executive director	2019	148,860	-	148,860	14,140	163,000
Rob Murray	**2020**	**145,138**	**-**	**145,138**	**13,787**	**158,925**
Non-executive director	2019	144,748	-	144,748	13,752	158,500
Helen Nash	**2020**	**165,617**	**-**	**165,617**	**15,733**	**181,350**
Non-executive director	2019	163,928	-	163,928	15,572	179,500
Melanie Willis	**2020**	**155,821**	**-**	**155,821**	**14,804**	**170,625**
Non-executive director	2019	155,708	-	155,708	14,792	170,500
TOTAL	**2020**	**1,024,508**	**-**	**1,024,508**	**87,480**	**1,111,988**
	2019	1,026,445	-	1,026,445	94,055	1,120,500

4. Analysis of short term incentives included in remuneration

4.1 STI performance outcomes

The table below summarises the key performance indicators (**KPIs**) applicable for each KMP for FY2020. The Board accepted the recommendation of the CEO that no STI awards be paid for FY2020 because of the effect on the business of the COVID-19 health crisis and the lockdown measures implemented by federal, state and territory governments in response to the crisis. For this reason, a detailed assessment of executives' performance against their respective KPIs was not carried out in FY2020.

Executive KMP[1]	Profitability and financial performance 40%	High level operational improvements 40%	Cultural and behavioural influences 20%
	Measure	**Measure**	**Measure**
Grant Blackley	Group NPAT Non-revenue related group operating expenses	Deliver corporate strategy; lead change to focus on capital-minded investment to create new sustainable revenue streams; lead development and optimisation of linear and on-demand audio content products; enhance reputation with investors, financiers and other influencers.	Maintain succession planning for KMP executives; develop and implement plans to increase diversity in teams and raise awareness and participation in innovation program; develop and implement plans to build constructive behaviours and enhance culture in own team and across business.
Nick McKechnie	Group NPAT Non-revenue related group operating expenses	Deliver corporate strategy; successfully refinance group debt; lead change in business focus to create new sustainable revenue streams; enhance reputation with investors, financiers and other influencers.	Maintain succession planning for role and direct reports; develop and implement plans to increase diversity in teams and raise awareness and participation in innovation program; develop and implement plans to build constructive behaviours and enhance culture in own team and across business.
John Kelly	Group NPAT Non-revenue related costs	Communicate and deliver corporate strategy; lead development and optimisation of linear and on-demand audio content products; continue development of PodcastOne Australia; support development of a knowledge management strategy.	Maintain succession planning for role and direct reports; develop and implement plans to increase diversity in teams and raise awareness and participation in innovation program; develop and implement plans to build constructive behaviours and enhance culture in own team and across business.
Brian Gallagher	Group EBITDA Radio, regional television and digital revenues Sales dept operating expenses	Metro radio power ratio; develop and drive new strategies to deliver revenue outperformance in regional markets; improve monetisation of PodcastOne Australia and premium sporting rights; improve effectiveness of Salesforce to drive customer acquisition and retention.	Maintain succession planning for role and direct reports; develop and implement plans to increase diversity in teams and raise awareness and participation in innovation program; develop and implement plans to build constructive behaviours and

Executive KMP[1]	Profitability and financial performance 40%	High level operational improvements 40%	Cultural and behavioural influences 20%
	Measure	Measure	Measure
			enhance culture in own team and across business.
Stephen Haddad	Group EBITDA Non-revenue related technology operating expenses	Successful migration of TV playout from Canberra to NPC Media; successful transition of transmission services to BAI Communications; support new smart audio capability with market-leading infrastructure; design and lead strategy to improve sales automation.	Maintain succession planning for role and direct reports; develop and implement plans to increase diversity in teams and raise awareness and participation in innovation program; develop and implement plans to build constructive behaviours and enhance culture in own team and across business.

1 KPIs were not finalised with Annaliese van Riet during her time as Chief People & Culture Officer. KPIs were also not finalised with Dave Cameron and Nikki Clarkson between their joining the Company's senior leadership team on 1 January 2020 and commencement of the effect on the business of the COVID-19 health crisis and the lockdown measures implemented by federal, state and territory governments in response to the crisis.

4.2 Vesting of STI awards

Having regard to the impact of the COVID-19 crisis on the operations of the Company and returns to shareholders, the Board accepted management's recommendation that the executive STI awards for FY2020 be forfeited. These actions did not reflect on the effort or quality of work by executives during the year; rather they acknowledged the impact of COVID-19 on the Company's financial performance and on returns to the Company's shareholders.

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	712,613
Nick McKechnie	189,026
John Kelly	194,045
Brian Gallagher	187,354
Stephen Haddad	111,659
Dave Cameron	41,820
Nikki Clarkson	50,184
Annaliese van Riet	52,275
Total	**1,538,976**

Details for all rights granted in financial year

	Return on invested capital	Absolute EPS
Grant Date	13 September 2019	13 September 2019
Face value at grant date	$1.1956	$1.1956
Vesting date	30 June 2022	30 June 2022

All rights expire on the earlier of their vesting date or termination of the executive's employment. When an executive ceases employment as a "good leaver", the executive's rights will typically terminate on a pro-rata basis according to the executive's period of service. The rights vest at the end of the performance period specified at the time of their grant. This was 30 June 2022 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.

Because of the impact on the Company's business of the COVID-19 health crisis and the lockdown measures implemented by federal, state and territory governments in response to the crisis, the Board has cancelled all outstanding performance rights under the LTI plan, including the above rights granted during the year.

5.2 Details of equity incentives affecting current and future remuneration

The table below sets out the vesting profiles of rights held by each executive KMP as at 30 June 2020 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	Forfeited %[2]	No. of Perf Rights Cancelled During the Year[3]	Cancelled %	No. of Perf Rights Remaining at Year End	Value of Perf Rights yet to Vest $
Grant Blackley	FY20 Plan	01/07/2022	712,613	852,000	-	-	-	-	712,613	100.0	-	-
	FY19 Plan	01/07/2021	621,820	831,000	-	-	-	-	621,820	100.0	-	-
	FY18 Plan	01/07/2020	660,993	831,000	-	-	-	-	660,993	100.0	-	-
	FY17 Plan	01/07/2019	764,151	810,000	298,019	39.0	466,132	61.0	-	-	-	-
	Total		**2,759,577**	**3,324,000**	**298,019**	**39.0**	**466,132**	**61.0**	**1,995,426**	**100.0**	**-**	**-**
Nick McKechnie	FY20 Plan	01/07/2022	189,026	226,000	-	-	-	-	189,026	100.0	-	-
	FY19 Plan	01/07/2021	204,280	273,000	-	-	-	-	204,280	100.0	-	-
	FY18 Plan	01/07/2020	217,149	273,000	-	-	-	-	217,149	100.0	-	-
	FY17 Plan	01/07/2019	166,981	177,000	65,123	39.0	101,858	61.0	-	-	-	-
	Total		**777,436**	**949,000**	**65,123**	**39.0**	**101,858**	**61.0**	**610,455**	**100.0**	**-**	**-**
John Kelly	FY20 Plan	01/07/2022	194,045	232,000	-	-	-	-	194,045	100.0	-	-
	FY19 Plan	01/07/2021	210,266	281,000	-	-	-	-	210,266	100.0	-	-
	FY18 Plan	01/07/2020	223,513	281,000	-	-	-	-	223,513	100.0	-	-
	FY17 Plan	01/07/2019	172,642	183,000	67,330	39.0	105,312	61.0	-	-	-	-
	Total		**800,466**	**977,000**	**67,330**	**39.0**	**105,312**	**61.0**	**627,824**	**100.0**	**-**	**-**
Brian Gallagher	FY20 Plan	01/07/2022	187,354	224,000	-	-	-	-	187,354	100.0	-	-
	FY19 Plan	01/07/2021	204,280	273,000	-	-	-	-	204,280	100.0	-	-
	FY18 Plan	01/07/2020	217,149	273,000	-	-	-	-	217,149	100.0	-	-
	FY17 Plan	01/07/2019	166,981	177,000	65,123	39.0	101,858	61.0	-	-	-	-
	Total		**775,764**	**947,000**	**65,123**	**39.0**	**101,858**	**61.0**	**608,783**	**100.0**	**-**	**-**
Stephen Haddad	FY20 Plan	01/07/2022	111,659	133,500	-	-	-	-	111,659	100.0	-	-
	FY19 Plan	01/07/2021	59,862	80,000	-	-	-	-	59,862	100.0	-	-
	FY18 Plan	01/07/2020	23,863	30,000	-	-	-	-	23,863	100.0	-	-
	Total		**195,384**	**243,500**	**-**	**-**	**-**	**-**	**195,384**	**100.0**	**-**	**-**
Dave Cameron	FY20 Plan	01/07/2022	41,820	50,000	-	-	-	-	41,820	100.0	-	-
	FY19 Plan	01/07/2021	37,414	50,000	-	-	-	-	37,414	100.0	-	-
	FY18 Plan	01/07/2020	39,771	50,000	-	-	-	-	39,771	100.0	-	-
	FY17 Plan	01/07/2019	47,170	50,000	18,396	39.0	28,774	61.0	-	-	-	-

	Total		**166,175**	**200,000**	**18,396**	**39.0**	**28,774**	**61.0**	**119,005**	**100.0**	**-**	**-**
Nikki Clarkson	FY20 Plan	01/07/2022	50,184	60,000	-	-	-	-	50,184	100.0	-	-
	FY19 Plan	01/07/2021	44,897	60,000	-	-	-	-	44,897	100.0	-	-
	FY18 Plan	01/07/2020	47,725	60,000	-	-	-	-	47,725	100.0	-	-
	FY17 Plan	01/07/2019	56,604	60,000	22,076	39.0	34,528	61.0	-	-	-	-
	Total		**199,410**	**240,000**	**22,076**	**39.0**	**34,528**	**61.0**	**142,806**	**100.0**	**-**	**-**
Annaliese van Riet	FY20 Plan	01/07/2022	52,275	62,500	-	-	-	-	62,500	100.0	-	-
	Total		**52,275**	**62,500**	**-**	**-**	**-**	**-**	**62,500**	**100.0**	**-**	**-**

1 The value of rights granted is the fair value of rights 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 or to rights being cancelled by the Board.

3 Because of the impact on the Company's business of the COVID-19 health crisis and the lockdown measures implemented by federal, state and territory governments in response to the crisis, the Board has cancelled all outstanding performance rights under the LTI plan.

5.3 Vesting of rights during the year (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), which was below the vesting gateway of 3%. These outcomes are shown below.

FY2017 LTI plan	TSR percentile ranking / EPS CAGR	% vested	50% weighting
Relative TSR performance	64th percentile	78%	39.0%
Absolute EPS performance	(1.4%)	0%	00.0%
		Total	**39.0%**

5.4 Vesting of rights as at 1 July 2020

Performance rights granted under the FY2018 LTI plan were due to be tested in August 2020, following approval of the Company's financial report for the year ended 30 June 2020. Performance rights granted under the FY2019 and FY2020 LTI plans were due to be tested in subsequent years. There were two equally-weighted performance conditions for rights granted under each of these plans: the Company's ROIC performance over the performance period and the Company's EPS performance over the performance period.

Because of the impact on the Company's business of the COVID-19 health crisis and the lockdown measures implemented by federal, state and territory governments in response to the crisis, the Board has cancelled all outstanding performance rights under the LTI plan.

As a result, no rights granted under the LTI plan in FY2018, FY2019 or FY2020 will vest. At the end of the year, there were no outstanding rights eligible for vesting under the LTI plan.

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 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.

		Received during the year			
	Balance at start of year	On exercise of LTI performance rights	Under STI Plan	Other changes during the year	Balance at end of year
Non-executive directors					
Peter Bush	130,000	-	-	227,500	357,500
Leon Pasternak	1,185,215	-	-	2,074,127	3,259,342
Glen Boreham	123,500	-	-	361,119	484,619
Rob Murray	107,248	-	-	297,684	404,932
Helen Nash	105,000	-	-	183,750	288,750
Melanie Willis	109,670	-	-	298,280	407,950
	1,760,633			3,442,460	5,203,093
Executives					
Grant Blackley	222,499	298,019	81,393	1,083,510	1,685,421
Nick McKechnie	186,429	65,123	-	385,216	636,768
John Kelly	29,500	67,331	-	169,455	266,286
Brian Gallagher	70,212	65,123	-	440,612	575,947
Stephen Haddad	7,500	-	-	50,250	57,750
Dave Cameron[1]	-	18,396	-	(18,396)	-
Nikki Clarkson[1]	-	22,706	-	38,633	60,709
Annaliese van Riet[2]	-	-	-	-	-
	516,140	536,698	81,393	2,149,280	3,282,881

1 Dave Cameron and Nikki Clarkson became executive KMP during the financial year, on 1 January 2020.

2 Annaliese van Riet's holdings shown as at the date of cessation of employment on 27 March 2020.

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 34.

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

Rob Murray
Chairman
Southern Cross Media Group Limited
Sydney, Australia
20 August 2020

Grant Blackley
Managing Director
Southern Cross Media Group Limited
Sydney, Australia
20 August 2020

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Southern Cross Media Group Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Trevor Johnston
Partner
PricewaterhouseCoopers

Melbourne
20 August 2020

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Consolidated Statement of Comprehensive Income

	Note	2020 $'000	2019 $'000
Revenue from continuing operations	3	540,152	660,088
Broadcast and production costs		(118,269)	(123,600)
Employee expenses	6	(176,410)	(205,536)
Selling costs		(68,718)	(78,838)
Occupancy costs		(10,758)	(30,631)
Promotions and marketing		(10,349)	(16,766)
Administration costs		(48,691)	(49,877)
Fair value loss on assets held for sale	4	-	(9,223)
Other income	5	638	1,046
Share of net profit/(losses) of investments accounted for using the equity method	20	637	719
Profit before depreciation, amortisation, interest, impairment, fair value movements on financial derivatives and income tax expenses for the year from continuing operations		108,232	147,382
Depreciation and amortisation expense		(36,589)	(30,643)
Impairment of intangibles and investments	4	(6,135)	(226,883)
Interest expense and other borrowing costs	18	(27,888)	(20,179)
Interest revenue		674	848
Profit/(loss) before income tax expense for the year from continuing operations		38,294	(129,475)
Income tax credit/(expense) from continuing operations	7	(13,194)	38,080
Profit/(loss) from continuing operations after income tax expense for the year		25,100	(91,395)
Other comprehensive income that may be reclassified to profit or loss:			
Changes to fair value of cash flow hedges, net of tax		383	(4,275)
Total comprehensive profit/(loss) for the year attributable to shareholders		**25,483**	**(95,670)**
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	16	1.77	(8.05)
Diluted earnings per share (cents)	16	1.77	(8.05)

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

Consolidated Statement of Financial Position

	Note	2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents	12	271,431	32,387
Receivables	13	84,384	127,797
Current tax asset		5,112	1,527
Assets held for sale	8	-	15,000
Total current assets		**360,927**	**176,711**
Non-current assets			
Receivables	13	13,725	1,419
Right-of-use asset	29	122,868	-
Investments	20	5,323	9,015
Property, plant and equipment	9	96,853	104,472
Intangible assets	10	948,047	917,960
Total non-current assets		**1,186,816**	**1,032,866**
Total assets		**1,547,743**	**1,209,577**
Current liabilities			
Payables	13	34,263	59,961
Deferred Income	13	8,738	4,729
Provisions	13	13,913	17,073
Borrowings	18	25,000	-
Lease liability	29	6,370	-
Derivative financial instruments	19	2,353	-
Total current liabilities		**90,637**	**81,763**
Non-current liabilities			
Deferred Income	13	92,013	93,689
Provisions	13	4,687	9,119
Borrowings	18	376,703	323,524
Lease liability	29	126,581	-
Deferred tax liability	7	264,096	259,537
Derivative financial instruments	19	4,629	7,529
Total non-current liabilities		**868,709**	**693,398**
Total liabilities		**959,346**	**775,161**
Net assets		**588,397**	**434,416**
Equity			
Contributed equity	17	1,540,569	1,379,736
Reserves		(450)	496
Other equity transaction	17	(77,406)	(77,406)
Accumulated losses		(874,614)	(868,708)
Equity attributable to equity holders		**588,099**	**434,118**
Non-controlling interest		298	298
Total equity		**588,397**	**434,416**

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

Consolidated Statement of Changes in Equity

2020

	Contributed equity	Share-based payment reserve	Hedge reserve	Other equity transactions	(Accumulated losses) /retained profits	Total	Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total equity at 1 July 2019	1,379,736	5,765	(5,269)	(77,406)	(868,708)	434,118	298	434,416
Profit for the year	-	-	-	-	25,100	25,100	-	25,100
Other comprehensive income	-	-	383	-	-	383	-	383
Total comprehensive income	-	-	383	-	25,100	25,483	-	25,483
Transactions with equity holders in their capacity as equity holders:								
Contributions of equity, net of transaction costs	160,833	-	-	-	-	160,833	-	160,833
Employee share entitlements	-	(717)	-	-	-	(717)	-	(717)
Payments on maturity of Long Term Incentive Plan		(612)	-	-	(245)	(857)	-	(857)
Dividends paid					(30,761)	(30,761)	-	(30,761)
	160,833	(1,329)	-	-	(31,006)	128,498	-	128,498
Total equity at 30 June 2020	1,540,569	4,436	(4,886)	(77,406)	(874,614)	588,099	298	588,397

2019

	Contributed equity	Share-based payment reserve	Hedge reserve	Other equity transactions	(Accumulated losses) /retained profits	Total	Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'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

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

Consolidated Statement of Cash Flows

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		644,850	714,967
Payments to suppliers and employees		(534,429)	(570,052)
JobKeeper Received		10,599	-
Interest received from external parties		674	848
Tax paid		(18,308)	(34,621)
Net cash inflows from operating activities	12	**103,386**	**111,142**
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(16,686)	(28,299)
Payment for acquisition of subsidiary, net of cash acquired		(28,700)	-
Payments for purchase of intangibles		(519)	(99)
Disposal of investments and intangibles		134	-
Proceeds from sale of property, plant and equipment		1,944	615
Proceeds from sale of operations and assets		3,220	932
Payments for purchase of investment		(2,886)	-
Dividends received from equity accounted investments		580	540
Net cash flows used in investing activities		**(42,913)**	**(26,311)**
Cash flows from financing activities			
Dividends paid to security holders		(30,761)	(59,599)
Proceeds from borrowings		78,000	-
Repayment of borrowings from external parties		-	(35,000)
Refinancing costs paid to external parties		(1,885)	-
Proceeds from issue of shares		168,578	-
Share issue transaction costs		(7,745)	-
Interest paid to external parties		(20,094)	(13,878)
Principal elements of lease payments		(7,522)	(19)
Net cash flows used in financing activities		**178,571**	**(108,496)**
Net increase/(decrease) in cash and cash equivalents		239,044	(23,665)
Cash assets at the beginning of the year		32,387	56,052
Cash assets at the end of the year		**271,431**	**32,387**

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

Notes to the Consolidated Financial Statements

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.

These financial statements have been prepared on a going concern basis. The Group has performed an assessment of its ability to continue as a going concern. The assessment has considered the balance sheet position, including $271.4 million of cash and cash equivalents at 30 June 2020; forecast performance; and the expectations that the Group will comply with its debt facility covenants. Based on the assessment, the Group concluded that these financial statements should be prepared on a going concern basis.

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 period. Certain balances in the comparative period have been reclassified to align to the current period classification. This has resulted in a $8 million reduction in payables and receivables. This has also resulted in corporate revenue of $715,000 being reallocated to television revenue.

1. Summary of Significant Accounting Policies (continued)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2020 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 judgement

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 10	Non-Current Assets – Intangible Assets
Note 11	Impairment
Note 13	Receivables, Payables, Deferred Income and Provisions, for Expected Credit Losses
Note 29	Leases

1. Summary of Significant Accounting Policies (continued)

Coronavirus (COVID-19) Impact

COVID-19, which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation in March 2020. COVID-19, as well as measures to slow the spread of the virus, have since had a significant impact on global economies and equity, debt and commodity markets. The Group has considered the impact of COVID-19 and other market volatility in preparing its financial statements.

As a consequence of COVID-19, management:

- Re-evaluated whether there were any additional areas of judgement or estimation uncertainty
- Updated its economic outlook, principally for the purposes of input into its expected credit losses through the application of forward looking information, but also for the input into the impairment analysis of financial and non-financial assets classes and disclosures such as fair value disclosures of financial assets and liabilities
- Reviewed external market communications to identify other COVID-19 related impacts
- Reviewed public forecasts and experience from previous downturns for input into the impairment assessment of the Audio CGU

Further judgements and estimates were required due to COVID-19 and are detailed further in the notes to the financial statements, in particular:

Notes 6	Jobkeeper Payments
Note 11	Impairment
Note 13	Receivables, Payables, Deferred Income and Provisions, for Expected credit losses
Note 14	Capital management objectives
Note 19	Financial risk management
Note 20	Non-Current Assets - Investments

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 29.

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 are based on the information reported to the Group CEO and the Company Board of Directors. The Group has determined that it has two main operating segments being:

- Audio, comprising metro and regional radio, podcasting and other related businesses
- Television, comprising the regional television business

	Audio		Television		Corporate		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	2020	2019
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	$'000	$'000
Segment Revenue	**370,546**	452,424	**169,453**	207,273	**153**	391	**540,152**	660,088
National Revenue[1]	**197,766**	254,451	**95,536**	108,127	**-**	-	**293,302**	362,578
Local Revenue[2]	**141,756**	169,399	**60,749**	82,918	**-**	-	**202,505**	252,317
Other	**31,024**	28,574	**13,168**	16,228	**153**	391	**44,345**	45,193
Total Revenue	**370,546**	452,424	**169,453**	207,273	**153**	391	**540,152**	660,088
EBITDA / Segment Result on a pre AASB 16 basis[3]	**97,819**	148,646	**19,566**	25,201	**(24,434)**	(26,465)	**92,951**	147,382
AASB 16 Leases Impact	**10,690**	-	**4,382**	-	**209**	-	**15,281**	-
Reported EBITDA (including AASB 16 leases impact)	**108,509**	148,646	**23,948**	25,201	**(24,225)**	(26,465)	**108,232**	147,382
EBITDA % of Revenue	**29.3%**	32.9%	**14.1%**	12.2%	**N/A**	N/A	**20.0%**	22.3%
Impairment of intangibles and investments	**-**	-	**-**	(226,883)	**(6,135)**	-	**(6,135)**	(226,883)
Depreciation and Amortisation	**-**	-	**-**	-	**-**	-	**(36,589)**	(30,643)
Statutory EBIT / Segment Result	**-**	-	**-**	-	**-**	-	**65,508**	(110,144)
Financing costs	**-**	-	**-**	-	**-**	-	**(27,214)**	(19,331)
Income tax expense	**-**	-	**-**	-	**-**	-	**(13,194)**	38,080
(Loss)/Profit for the year attributable to shareholders	**-**	-	**-**	-	**-**	-	**25,100**	(91,395)

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 the SCA's local sales team who are only able to sell local products specific to the particular market.
3 The chief operating decision maker monitors EBITDA on the same basis as before AASB 16 *Leases* was applied or transitioned to by the Group.

3. Revenue

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

	Consolidated	
	2020 $'000	2019 $'000
Revenue from continuing operations		
Sales revenue	539,169	656,332
Rental revenue	983	3,756
Total revenue from continuing operations	**540,152**	**660,088**

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

Under AASB 15 *Revenue from Contracts with Customers* revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control requires judgement. The Group recognises revenue at the point the underlying performance obligation has been completed and control of the services or goods passes to the customer.

Revenue represents revenue earned primarily from the sale of television, radio and digital advertising airtime and related activities, including sponsorship and promotions.

Based on the Group being considered the principal entity in the sale of television, radio and digital advertising, revenue is recognised gross of rebates and agency commissions. For significant payment terms refer to note 13.

Advertising revenue is recognised at a point in time when the underlying performance obligation has been satisfied, being primarily when the advertisement is aired.

Sponsorship revenue is included within advertising revenue and the length of the sponsorship can vary in length of time. Revenue is recognised over the period to which the sponsorship relates.

Production services used to create advertising suitable for broadcast is treated as a separate performance obligation. Production revenue is recognised at a point in time when the Group has completed the production service, which is likely to be before the relevant advertising is broadcast.

Included within advertising revenue is the Australian Traffic Network (ATN) contract where revenue is recognised over time. The ATN contract has been deemed to contain a significant financing component. Revenue from this contract has been recalculated over the 30-year contract period and has been grossed up to account for interest expense (for further detail refer note 13).

Within advertising revenue there is a significant contract in which the Group acts as an agent selling advertising on behalf of NBN on a net fee and commissions received basis. The advertising revenue from NBN is made up of fixed and variable consideration. The variable consideration is based on selling performance relative to audience and market share. Revenue from this contract is recognised over time.

The commission received is accrued over time based on the amount of variable consideration that is considered highly probable, with any variance recognised at the time of payment.

The Group derives other regular sources of operating revenue from commercial production for advertisers, including facility sharing revenue and program sharing revenue based on an agreement to share revenue based on a fixed percentage

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.

	2020 $'000	2019 $'000
Impairment of intangibles (refer notes 10, 11)	-	(226,883)
Derecognition of deferred tax liability on impairment (refer note 7)	-	68,065
Fair value loss on sale of assets held for sale net of tax (refer note 8)	-	(6,456)
Restructuring charges (after tax)	(2,031)	-
Impairment of investments (refer note 20)	(6,135)	-
Modification loss on refinancing (after tax)	(927)	-
Total significant items included in net loss after tax	**(9,093)**	**(165,274)**

5. Other Income

	Consolidated	
	2020 $'000	2019 $'000
Net gain from disposal of assets	638	1,046
Total other income	**638**	**1,046**

	2020 $'000	2019 $'000
Net assets disposed	(1,306)	(501)
Gross cash consideration	1,944	1,547
Net gain from disposal of assets before tax	**638**	**1,046**

6. Job Keeper Payments

As part of its response to COVID-19, in March 2020 the Australian Government announced various stimulus measures resulting from the economic fallout from the coronavirus lockdown. One such stimulus measure was the payment of subsidies to qualifying employers under the Jobkeeper Payment scheme ("Jobkeeper") The initial JobKeeper payments are a wage subsidy whereby employers who qualify for the stimulus receive $1,500 per fortnight for each eligible employee who was employed by the company during the period April 2020 to September 2020.

The Group has determined that it is eligible to receive the initial JobKeeper payments, which totalled $16.1 million in the period to 30 June 2020.

JobKeeper payments are government grants and are accounted for under AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance.*

Government Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants shall be recognised as income over the periods necessary to match them with the related costs which they are intended to compensate. Government grants related to income are deducted in reporting from the related expense.

	Consolidated	
	2020	**2019**
	$'000	**$'000**
JobKeeper Payments	16,059	-
Employee Costs	(192,469)	(205,536)
Total employee costs after JobKeeper payments	**(176,410)**	**(205,536)**

7. 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	
	2020	**2019**
	$'000	**$'000**
Income tax expense		
Current tax		
Current tax on profits for the year	11,817	29,762
Adjustments for current tax of prior periods	2,978	861
Total current tax expense	**14,795**	**30,623**
Deferred income tax		
Increase/(decrease) in net deferred tax liabilities	2,032	(68,077)
Adjustments for deferred tax of prior periods	(3,633)	(626)
Total deferred tax expense	**(1,601)**	**(68,703)**
Income tax expense/(credit)	**13,194**	**(38,080)**
Reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	38,294	(129,475)
Tax at the Australian tax rate of 30%	11,488	(38,843)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
Impairment of investments	1,841	-
Share of net profits of associates	(191)	(216)
Non deductible entertainment expenses	900	1,200
Other (non-assessable income)/non-deductible expenses	(189)	(456)
Adjustments recognised in the current year in relation to prior years	(655)	235
Income tax expense/(credit)	**13,194**	**(38,080)**

7. Income Tax Expense (continued)

Deferred Taxes	Consolidated	
	2020 $'000	2019 $'000
The balance comprises temporary differences attributable to:		
Licences and brands	(279,130)	(273,206)
Employee benefits	4,900	5,834
Provisions	608	1,952
Interest rate swaps	2,095	2,259
Right-of-use asset	(37,859)	-
Lease liabilities	39,885	-
Deferred revenue	2,497	1,974
Other	2,908	1,650
Net balance disclosed as deferred tax liability	**(264,096)**	**(259,537)**

For the year ended 30 June 2020, the Company had $0.2 million income tax expense (2019: $1.8 million of income tax benefit) recognised directly in equity in relation to cash flow hedges, with a corresponding deferred tax liability (2019: asset) being recognised. There are $59.319 million available unused tax losses on the capital account for which no deferred tax asset has been recognised (2019: $58.400 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.

From 1 July 2019, the Group adopted AASB 16 *Leases* using the modified retrospective with no restatement of prior year comparative information. Deferred tax assets and liabilities are recognised for temporary differences arising from right-of-use assets and lease liabilities separately, as management do not consider the initial recognition exemption in AASB 112 *Income Taxes* applies to transactions that give rise to both an asset and liability. The net deferred tax amount will not be nil, as the carrying value of the lease liability is different to the right-of-use-asset.

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 22.

8. Assets held for sale

On 6 August 2019, the Group announced the sale of its existing transmission assets and outsourced the provision of transmission services to Broadcast Australia. The sale was completed on 2 September 2019, with no gain or loss on the disposal of assets held for sale. On 2 September 2019, the Group paid $15 million to Broadcast Australia for the outsourcing of its transmission services.

	2020 $'000	2019 $'000
Assets held for sale	-	15,000
Total assets held for sale	**-**	**15,000**

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

Consolidated	Land and Buildings	Leasehold Improvements	Plant and Equipment	Assets under construction	Total
2020	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cost	31,598	50,871	262,683	5,138	350,290
Accumulated depreciation expense	(12,078)	(27,729)	(213,630)	-	(253,437)
Net carrying amount	**19,520**	**23,142**	**49,053**	**5,138**	**96,853**
Movement					
Net carrying amount at beginning of year	21,252	23,426	54,108	5,686	104,472
Additions	1,661	2,859	8,858	3,463	16,841
Acquisition of subsidiaries	99	-	618	-	717
Disposals	(1,822)	-	(368)	-	(2,190)
Depreciation expense	(1,670)	(3,143)	(18,174)	-	(22,987)
Transfers	-	-	4,011	(4,011)	-
Net carrying amount at end of year	**19,520**	**23,142**	**49,053**	**5,138**	**96,853**

9. Non-Current Assets – Property, Plant and Equipment (continued)

Consolidated	Land and Buildings	Leasehold Improvements	Plant and Equipment	Assets under construction	Total
2019	**$'000**	**$'000**	**$'000**	**$'000**	**$'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)
Transfer 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**

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.

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

10. Non-Current Assets – Intangible Assets

Consolidated	Goodwill	Broadcasting Licences	Brands and Tradenames	Customer Contracts	Total
2020	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cost	362,088	1,502,031	90,033	3,577	1,957,729
Accumulated impairment expense	(352,129)	(630,331)	(24,848)	-	(1,007,308)
Accumulated amortisation expense	-	-	-	(2,374)	(2,374)
Net carrying amount	**9,959**	**871,700**	**65,185**	**1,203**	**948,047**
Movement					
Net carrying amount at beginning of year	-	852,893	65,067	-	917,960
Additions	-	400	118	-	518
Acquisition of subsidiaries	9,959	18,407		1,337	29,703
Amortisation expense	-	-	-	(134)	(134)
Net carrying amount at end of year	**9,959**	**871,700**	**65,185**	**1,203**	**948,047**

Consolidated	Goodwill	Broadcasting Licences	Brands and Tradenames	Customer Contracts	Total
2019	**$'000**	**$'000**	**$'000**	**$'000**	**$'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
Impairment expense	-	(226,883)	-	-	(226,883)
Net carrying amount at end of year	**-**	**852,893**	**65,067**	**-**	**917,960**

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").

10. 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. During the year, the free-to-air commercial television and radio broadcasting licences have been assessed to have indefinite useful lives.

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.

11. 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"), identified as being Audio and Television. As the indefinite lived intangible assets relating to the Television CGU were fully impaired in the year ended 30 June 2019, and no indicator of impairment has been identified for the remaining assets based on the Television CGU's performance for FY2020 relative to its remaining carrying value, no impairment test was performed on the Television CGU at 30 June 2020.

The recoverable amount of the Audio CGU at 30 June 2020 was determined based on the fair value less costs of disposal ("FVLCD") discounted cash flow model utilising probability weighted scenarios and at 30 June 2019 was determined based on a value in use ("VIU") discounted cash flow model. Given the uncertainty arising from the economic impacts of the COVID-19 pandemic, the Group have considered various scenarios and applied probability weightings to arrive at the recoverable amount.

Allocation of goodwill and other intangible assets

Consolidated	Audio CGU	Television CGU	Total
2020	**$'000**	**$'000**	**$'000**
Goodwill allocated to CGU	9,959	-	9,959
Indefinite lived intangible assets allocated to CGU	936,885	-	936,885
Finite lived intangible assets allocated to CGU	1,203	-	1,203
Total goodwill, finite and indefinite lived intangible assets	**948,047**	**-**	**948,047**

Consolidated	Audio CGU	Television CGU	Total
2019	**$'000**	**$'000**	**$'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**

11. Impairment (continued)

b) Key assumptions used

30 June 2020

The FVLCD calculations used cash flow projections based on internal forecasts for the FY 2021 and FY 2022 years, extended over the subsequent three year period ("Forecast Period") and applied a terminal value calculation using estimated growth rates approved by the Board for the business relevant to the Audio CGU. In the current environment the Group has used a large range of data, including publicly available broker reports and economic forecasts, and internal company data in determining appropriate growth rates to apply to the Forecast Period and to the terminal calculation. The discount rate used is based on a range provided by an independent expert and reflects specific risks relating to the Audio CGU in Australia.

The Group considered three scenarios: the Base case; Lower case; and Upper case and applied a probability weighing to each scenario as outlined below to determine a recoverable amount. The key assumptions under each scenario are as follows:

	Lower case	**Base case**	**Upper case**
Extent and duration of audio market recovery	To 85% of CPI adjusted FY19 revenue base by FY25	To 90% of CPI adjusted FY19 revenue base by FY24	To 90% of CPI adjusted FY19 revenue base by FY23
Long term growth rate	1.00%	2.00%	2.00%
Discount rate (post-tax)	9.15%	9.15%	9.15%
Growth in digital audio revenues – 5 year CAGR	15.1%	31.5%	47.5%
Metro market share – Year 5	28%	30%	31%
Probability weighting	20% - lower case considered equally as likely as upper case	60% - base case considered most likely outcome	20%- upper case considered equally as likely as lower case
Headroom / (Deficit)	$(245.3) million	$105.8 million	$274.7 million
Probability weighted headroom			$69.4 million

11. Impairment (continued)

b) Key assumptions used (continued)

The market capitalisation of the Group at 30 June 2020 was $462 million, which represented a $127 million deficiency against the net assets of $589 million. The Group considered reasons for this difference, and concluded the recoverable amount resulting from the FVLCD methodology is appropriate in supporting the carrying value of the Audio CGU.

30 June 2019

Key Judgement	Audio CGU %	Television CGU %
Value in use assumptions		
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)	9.15	9.15

The VIU calculations used cash flow projections based on the 2020 Board approved financial budgets extended over the subsequent four year period ("Forecast Period") and applied a terminal value calculation using estimated growth rates approved by the Board for the business relevant to the Audio 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 the Audio 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

Audio CGU

Sensitivity

A variation in certain key assumptions used to determine the FVLCD would result in a change in the recoverable amount of the Audio CGU. The assumptions in the lower case scenario described above is a reasonably possible change in assumptions, which together would lead to an impairment of $245.3m. The following reasonably possible changes in individual key assumptions would result in a recoverable amount (as derived on a probability weighted basis) lower than the carrying value to the extent shown below:

11. Impairment (continued)

c) Impact of a reasonably possible change in key assumptions (continued)

Sensitivity	Reasonable change in variable	Impact of change on Audio CGU carrying value	Change in variable required to reduce headroom to zero
	%	**$ million**	**%**
Increase in post-tax discount rate	0.85%	(44.2)	0.50%
Decrease in extent of recovery to FY19 in Base and Upper cases	(5.0)%	(60.6)	(2.7)%
Decrease in long term growth rate in Base and Upper cases	(1.0)%	(22.1)	(0.7)%
Change in weightings: Lower Case 35%; Base Case 55%; Upper Case 10%	N/A	(0.2)	N/A

12. Cash flow information

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

	Consolidated	
	2020 $'000	**2019 $'000**
Profit/(loss) after income tax	25,100	(91,395)
Impairment of intangibles and investments	6,135	226,883
Depreciation and amortisation	36,589	30,643
Net gain from disposal of operations and assets	(638)	(1,046)
Fair value loss on disposal of assets held for sale	-	9,223
Share of associate profit	(637)	(719)
Interest expense and other borrowing costs included in financing activities	27,888	20,179
Share-based payments	(1,329)	(830)
Change in operating assets and liabilities:		
Decrease/(increase) in receivables	36,137	(4,412)
Decrease in deferred taxes (net of tax movement in hedge reserve)	(818)	(70,122)
(Decrease)/increase in payables (excluding interest expense classified as financing activities)	(22,125)	1,006
Increase/(decrease) in deferred income	7,699	(4,352)
Decrease in provision for income tax	(3,586)	(4,003)
(Decrease)/increase in provisions	(7,029)	87
Net cash inflows from operating activities	**103,386**	**111,142**

b) Net debt reconciliation

	Consolidated	
	2020 $'000	**2019 $'000**
Cash and liquid investments	271,431	32,387
Borrowings – repayable within one year	(25,000)	-
Borrowings – repayable after one year	(378,000)	(325,000)
Net debt	**(131,569)**	**(292,613)**
Cash and liquid investments	271,431	32,387
Gross debt – variable interest rates	(403,000)	(325,000)
Net debt	**(131,569)**	**(292,613)**

12. Cash flow information (continued)

c) Reconciliation of movements of liabilities to cashflows arising from financing activities

	Consolidated	
	Bank Loans $'000	**Lease Liabilities $'000**
Balance as at at 1 July 2018	**(357,601)**	**(19)**
Repayment of borrowings	35,000	-
Payment for leases	-	19
Changes from financing activities	**35,000**	**19**
Other Changes		
Amortisation of borrowing costs	(923)	-
Subtotal of other changes	(923)	-
Balance as at 30 June 2019	**(323,524)**	**-**
Adoption of AASB 16 *Leases*	**-**	(154,080)
Proceeds from borrowings	(78,000)	-
Refinancing costs	1,885	-
Payment for leases	-	14,475
Changes from financing activities	**(76,115)**	**(139,605)**
Other Changes		
Finance costs	-	(6,953)
Amortisation of borrowing costs	(2,064)	-
Addition of leases		(14,197)
Remeasurement of leases	-	(7,983)
Disposal of transmission site leases	-	37,568
Acquisition of leases	-	(1,781)
Subtotal of other changes	**(2,064)**	**6,654**
Balance as at 30 June 2020	**(401,703)**	**(132,951)**

d) Cash and cash equivalents

	Consolidated	
	2020 $'000	**2019 $'000**
Current		
Cash at bank and at hand	121,432	32,387
Term deposits	149,999	-
	271,431	**32,387**

Recognition and measurement

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.
Management has assessed the Group's term deposits to be cash and cash equivalents.

13. Receivables, Payables, Deferred Income and Provisions

a) Receivables

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Current		
Trade receivables	65,772	114,607
Prepayments	8,902	8,615
Other	9,710	4,575
	84,384	**127,797**

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Non-current		
Refundable deposits	150	146
Related parties	-	577
Prepayments	13,166	-
Other	409	696
	13,725	**1,419**

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

a) Receivables (continued)

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 as at 30 June.

Consolidated As at 30 June 2020	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
Expected loss rate	5.0%	5.0%	30.0%	50.0%	
Trade receivables	63,353	3,830	1,182	2,348	70,713
Expected credit losses ('ECL')	(3,221)	(192)	(354)	(1,174)	(4,941)
Trade receivables net of ECL	60,132	3,638	828	1,174	65,772

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
Expected loss rate	0.32%	0.15%	2.0%	15.0%	
Trade receivables	104,409	7,631	2,154	939	115,133
Expected credit losses ('ECL')	(331)	(11)	(43)	(141)	(526)
Trade receivables net of ECL	104,078	7,620	2,111	798	114,607

The Group has recognised write-offs of bad debts during the year ended 30 June 2020 of $470,720 (2019: $765,125). The Group applies a simplified model of recognising lifetime expected credit losses immediately upon recognition. The expected loss rates are historically based on the payment profile of sales over a period of three years before the end of the current period. Historical loss rates have been adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of customers to settle the receivables. 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.

Given the impact of the COVID-19 pandemic on customers, the assumptions underlying the way the Group calculated expected credit losses ('**ECL')** in the past no longer holds in the current environment. The Group considered the ECL provision looking at various characteristics and factors including receivables based on their age, industry type and customer size and applying a different ECL rate based on these characteristic. Higher weightings to expected losses were applied to overdue debt, industries subject to the greatest government restrictions and smaller sized customers.

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.

Prepayments

On 2 September 2019, the Group paid $15 million to Broadcast Australia for the outsourcing of the Group's transmission services which will be recognised as an expense over a 15 year period.

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

b) Payables

	Consolidated 2020 $'000	Consolidated 2019 $'000
Current		
Trade creditors	5,245	9,343
GST payable	2,107	3,189
Accruals and other payables	26,911	47,429
	34,263	**59,961**

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 2020 $'000	Consolidated 2019 $'000
Current		
Deferred income	8,738	4,729
	8,738	**4,729**

	Consolidated 2020 $'000	Consolidated 2019 $'000
Non-current		
Deferred income	92,013	93,689
	92,013	**93,689**

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

c) Deferred Income (continued)

Recognition and Measurement

Deferred Income

Deferred income in the current year includes amounts which have been billed to customers for advertising but the advertising has been postponed due to the COVID-19 health crisis, totalling $2.2 million and goverment grants received.

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.

ATN revenue recognised that was included in the deferred income balance at the beginning of the period was $7.1 million. The ATN revenue recognised of $7.1m has been offset by the recognition of $5.5m in interest expense.

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.

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

d) Provisions

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Current		
Employee benefits	13,892	17,293
Lease provisions	21	(220)
	13,913	**17,073**

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Non-current		
Employee benefits	2,661	2,370
Lease provisions	2,026	6,749
	4,687	**9,119**

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

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Balance at the beginning of the financial year	6,529	6,009
Additional provisions made in the period, including increases to existing provisions	1,316	721
Amounts used during the period	(1,648)	(168)
Amount transferred to Right-of-use asset (refer note 29)	(3,617)	
Unused amounts reversed during the period	(533)	(33)
Balance at the end of the financial year	**2,047**	**6,529**

13. 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 provision 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 cashflows. Following the adoption of AASB 16 *Leases* on 1 July 2019, leases are recognised as a right-of-use asset with a corresponding liability at the date at which the leased asset is available for use by the Group. Prior to the adoption of AASB 16 the lease provision also covered lease arrangements to enable the lease expenses to be recognised on a straight-line basis over the life of the lease.

Capital Management

14. 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 has a policy to distribute between 65-85% of underlying financial year Net Profit After Tax. However, on 6 April 2020, the Group announced the cancellation of the interim dividend to maximise liquidity in response to the business impacts of the COVID 19 pandemic. Further the Group confirmed there will be no final dividend paid for the year ended 30 June 2020 and it expects there will be no dividends paid relating to the year ending 30 June 2021.

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.

Further details on the Group's dividends are outlined in note 15.

Debt Facilities

Syndicated Debt Facility

During the year, the Group successfully renegotiated its Syndicated Facility Agreement ("SFA"). At 30 June 2020 the Group had a $460 million (2019: $500 million) SFA comprising a $435 million (2019: $500 million) revolving three year facility expiring on 8 January 2023 and a $25 million (2019: $nil) one year facility 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. However, in response to the adverse business impacts of COVID-19, an amendment was agreed with the syndicate to increase the maximum leverage ratio covenant to 4.5 times for the periods from 30 June 2020 through to 30 June 2021. In addition, the leverage ratio and interest cover ratio at 31 December 2020 will be calculated on a quarter two FY2021 annualised basis, instead of the customary trailing 12-month basis. As at 30 June 2020, the leverage ratio was 1.24 times and the interest cover ratio was 8.38 times.

Further details on the Group's debt facilities are outlined in note 18.

Property, Plant and Equipment and Intangibles

The capital expenditure for 2020 was $17.558 million (2019: $27.991 million).

Further details on the Group's fixed assets are outlined in note 9.

15. Dividends Paid and Proposed

The dividends were paid as follows:

	Consolidated	
	2020	**2019**
	$'000	**$'000**
The dividends were paid as follows:		
Interim dividend paid for the half year ended 31 December 2019/2018 - fully franked at the tax rate of 30%	-	28,838
Final dividend paid for the year ended 30 June 2019/2018 – fully franked at the tax rate of 30%	30,761	30,761
	30,761	**59,599**
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan were as follows:		
Paid in cash	30,761	59,599
	30,761	**59,599**
	Cents per share	**Cents per share**
Interim dividend paid for the half year ended 31 December	-	3.75
Final dividend paid for the year ended 30 June	4.00	4.00
	4.00	**7.75**

The Group has $169.0 million of franking credits at 30 June 2020 (2019: $153.4 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.

On 6 April 2020, the Group announced the cancellation of the interim dividend to maximise liquidity in response to the business impacts of the COVID 19 pandemic. Further, the Group confirmed there will be no final dividend paid for the year ended 30 June 2020.

16. Earnings per Share

	Consolidated	
	2020 $'000	2019 $'000 (Restated)
Continuing Operations		
Profit/(loss) attributable to shareholders from continuing operations ($'000)	25,100	(91,395)
Profit attributable to shareholders from continuing operations excluding significant items ($'000)	34,193	73,879
Weighted average number of shares used as the denominator in calculating basic earnings per share (shares, '000)	1,418,721	1,134,648
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (shares, '000)	1,418,721	1,137,390
Basic earnings per share (cents per share)	1.77	(8.05)
Diluted earnings per share (cents per share)	1.77	(8.05)
Excluding significant items (refer note 4)		
Basic earnings per share excluding significant items (cents per share)	2.41	6.5
Diluted earnings per share excluding significant items (cents per share)	2.41	6.5
Dividends paid/proposed for the year as a % of NPAT	**90.0%**	**80.7%**

On 6 April 2020, the Group announced it launched a fully underwritten $169 million equity raising. The equity raising was undertaken through the issue of new fully paid ordinary shares. The equity raising consisted of a pro-rata accelerated non-renouncable rights issue which led to the restatement of Earnings Per Share in the prior period (refer note 17 for further detail)

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.

17. Contributed Equity and Reserves

	Consolidated	
	2020 $'000	2019 $'000
Ordinary shares	1,540,569	1,379,736
Contributed equity	**1,540,569**	**1,379,736**

17. Contributed Equity and Reserves (continued)

	Consolidated		Consolidated	
	2020 $'000	2019 $'000	2020 Number of securities '000	2019 Number of securities '000
On issue at the beginning of the financial year	1,379,736	1,379,736	769,014	769,014
Share Issue - Institutional	148,914	-	1,601,598	-
Share Issue - Retail	19,664	-	271,494	-
Less transaction costs arising on share issue	(7,745)	-	-	-
On issue at the end of the financial year	**1,540,569**	**1,379,736**	**2,642,106**	**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.

On 6 April 2020 the Group launched a fully underwritten $169 million equity raising. The equity raising was undertaken through the issue of new fully paid ordinary shares via a fully underwritten:

- placement to institutional and sophisticated investors to raise approximately $47 million; and
- entitlement offer of approximately $121 million at a ratio of 1.75 new shares for every 1 existing fully paid ordinary shares held by eligible shareholders on the record date.

The entitlement offer consisted of an accelerated institutional component of approximately $102 million and a retail component of approximately $19 million.

The offer price for the placement and the entitlement offer was $0.09 per share.

New shares issued under the equity raising rank equally with existing shares as at their date of issue.

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.

17. Contributed Equity and Reserves (continued)

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 694,939 performance rights have vested (2019: 784,396) and 2,142,305 (2019: 1,957,873) performance rights have been granted. In the current year $716,748 (2019: $269,650) has been recognised as a benefit in the Statement of Comprehensive Income as the fair value of potential shares to be issued.

Because of the impact on the Company's business from the COVID-19 health crisis and the lockdown measures implemented by federal, state and territory governments in response to the crisis, the Board has cancelled all outstanding performance rights under the LTI plan, including the above rights granted during the year.

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, there is a reverse acquisition reserve of $77.406 million (2019: $77.406 million) in connection with the IPO of the Group.

18. Borrowings

a) Total interest bearing liabilities

	Consolidated	
	2020 $'000	2019 $'000
Current secured borrowings		
Bank facilities	25,000	-
Total secured current interest bearing liabilities	**25,000**	**-**

	Consolidated	
	2020 $'000	2019 $'000
Non-current secured borrowings		
Bank facilities	378,000	325,000
Borrowing costs	(1,297)	(1,476)
Total secured non-current interest bearing liabilities	**376,703**	**323,524**
Total current and non-current borrowings	**401,703**	**323,524**

For all non-current borrowings, the carrying amount approximates fair value in the balance sheet. Of the $1.297 million of borrowing costs, $0.521 million (2019: $0.959 million) will unwind during the year ending 30 June 2021.

b) Interest expense

	Consolidated	
	2020 $'000	2019 $'000
Interest expense and other borrowing costs		
External banks	13,350	13,648
AASB 15 – Revenue from customers with contracts interest expense	5,521	5,608
AASB 16 – Lease interest expense	6,953	-
Amortisation of borrowing costs	2,064	923
Total interest expense and other borrowing costs	**27,888**	**20,179**

c) Bank facilities and assets pledged as security

The $460 million debt facilities (2019: $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 2023 and has an average variable interest rate of 1.69% (2019: 2.58%). 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. There is a prohibition on paying dividends whilst the enhanced covenant headroom provided by the lending group remains in place. Covenant testing dates fall at 30 June and 31 December each year until the facility maturity date. The final covenant testing date with a leverage covenant at 4.5 times is 30 June 2021. At 30 June 2020, the Group complied with all the covenants.

18. Borrowings (continued)

c) Bank facilities and assets pledged as security (continued)

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

	Consolidated	
	2020 **$'000**	**2019** **$'000**
Current assets		
Floating charge		
Cash and cash equivalents	271,378	31,448
Receivables	94,528	134,873
Assets held for sale	-	15,000
Total current assets pledged as security	365,906	181,321
Non-current assets		
Floating charge		
Receivables	410	1,272
Investments accounted for using the equity method	4,125	4,559
Property, plant and equipment	96,853	104,472
Intangible assets	948,047	917,960
Total non-current assets pledged as security	1,049,435	1,028,263
Total assets pledged as security	**1,415,341**	**1,209,584**

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.

19. 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. Under normal circumstances there is a relatively low level of credit risk on receivables that is managed by careful business practices, however following the adverse economic impact of the COVID-19 pandemic on the Group's customers this represents a heightened risk (refer note 13). 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.

19. Financial Risk Management (continued)

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 1.69% (2019: 2.58%). 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 2.43%. These interest rate swap contracts will expire in January 2021. In 2018 the Group entered into $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. In 2020 the Group entered into $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 2021 at an average fixed rate of 1.04%. These interest rate swap contracts will expire in January 2023.

Details on how the Group accounts for the interest rate swap contracts as cashflow hedges is disclosed in note 29.

Derivative financial instruments

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Interest rate swap contracts – current liability	2,353	-
Interest rate swap contracts – non current liability	4,629	7,529
Total derivative financial instruments	**6,982**	**7,529**

Swaps currently in place cover approximately 74% (2019 - 92%) of the variable loan principal outstanding. The fixed interest rates of the swaps range between 1.0% and 2.4% (2019 - 2.2% and 2.4%) and the variable rates on the loans are 1.55% (2019 – 1.4%) above the 3 months bank bill rate, which at the end of the reporting period was 0.2% (2019 – 1.2%).

The swap contracts require settlement of net interest receivable or payable every 3 months. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

19. 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:

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Carrying amount (liability)	6,982	7,529
Notional	400,000	300,000
Maturity date		
2021	200,000	200,000
2022	100,000	100,000
2023	100,000	-
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 July	(4,103)	(7,234)
Change in value of hedged item used to determine hedge effectiveness	4,103	7,234
Weighted average hedged rate for the year	2.37%	2.37%

Hedging reserve

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

	Hedge Reserve for Interest rate swaps
	$'000
Opening balance 1 July 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)**
Add: Change in fair value of hedging instrument recognised in OCI for the year	(4,102)
Less: reclassified from OCI to profit or loss	4,649
Less: Deferred tax	(164)
Closing balance 30 June 2020	**(4,886)**

19. Financial Risk Management (continued)

a) Interest rate risk (continued)

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 (2019: +/- 25 basis points) in the relevant interest rates at 30 June 2020 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.

	Carrying Value	Impact on post-tax profits Increase/(decrease)		Impact on reserves Increase/(decrease)	
Consolidated		+/- 25 basis points		+/- 25 basis points	
AUD exposures	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2020		**+25**	**-25**	**+25**	**-25**
Cash at bank	271,431	475	(475)	-	-
Interest rate swaps	(6,982)	525	(525)	1,022	(1,036)
Borrowings	(403,000)	(705)	705	-	-
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	-	-

19. Financial Risk Management (continued)

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 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. Following the adverse economic impact of the COVID-19 pandemic on its operations, the Group raised $168.6 million in an equity raising in April 2020 as part of a range of actions to help strengthen its financial position. As a result the Group's net debt reduced by 55.0% on 2019 to finish the year at $131.6 million. The Group's key leverage ratio improved to 1.24 times, down from 1.76 times in June 2019. At the same time, an amendment to the Group's debt facility was agreed to with the banking syndicate to increase the maximum leverage ratio covenant to ensure compliance with the banking covenants and maintain liquidity requirements (refer Note 14).

Exposure and sensitivity

Financing arrangements

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

Consolidated	**Bank facilities**	**Working capital facility**	**Total facilities**
As at 30 June 2020	**$'000**	**$'000**	**$'000**
Line of credit value	460,000	7,000	467,000
Used at balance date	(403,000)	(6,031)	(409,031)
Unused at balance date	**57,000**	**969**	**57,969**

Consolidated	**Bank facilities**	**Working capital facility**	**Total facilities**
As at 30 June 2019	**$'000**	**$'000**	**$'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**

19. Financial Risk Management (continued)

b) Liquidity risk (continued)

Of the $460 million debt facility for the Group, $25 million matures on 8 January 2021 and $435 million matures on 8 January 2023. The Group's bank facilities are denominated in Australian dollars as at 30 June 2020 and 30 June 2019.

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 2020	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-5 years $'000	Greater than 5 years $'000	Total contractual cashflows $'000	Carrying amount liabilities $'000
Borrowings – Principal	25,000	-	378,000	-	-	403,000	401,703
Interest cashflows[1]	11,858	8,730	4,006	-	-	24,594	N/A
Derivative financial instruments[2]	3,336	3,552	1,526	-	-	8,414	6,982
Payables[3]	39,011	-	-	-	-	39,011	34,263
Lease liabilities	13,351	14,464	14,826	28,097	121,804	192,542	132,951
Total	**92,556**	**26,746**	**398,358**	**28,097**	**121,804**	**667,561**	**575,899**

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	Total contractual cashflow $'000	Carrying amount liabilities $'000
Borrowings – Principal	-	325,000	-	-	-	325,000	323,524
Interest cashflows[1]	12,941	7,307	566	-	-	20,814	N/A
Derivative financial instruments[2]	-	4,444	3,085	-	-	7,529	7,529
Payables[3]	60,343	-	-	-	-	60,343	59,961
Total	**73,284**	**336,751**	**3,651**	**-**	**-**	**413,686**	**391,014**

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 $6.982 million (2019: $7.529 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

20. Non-Current Assets – Investments

a) Investments accounted for using the Equity Method

	Consolidated	
	2020 **$'000**	**2019** **$'000**
Carrying amount at the beginning of the financial year	9,015	7,740
Share of profit/(losses) after income tax	637	719
Acquisition of associates and joint ventures	600	1,620
Dividends	(1,080)	(1,064)
Impairment of associates and joint ventures	(4,227)	-
Total Investments accounted for using the Equity Method	**4,945**	**9,015**

b) **Financial assets at fair value through profit or loss**

	Consolidated	
	2020 **$'000**	**2019** **$'000**
Carrying amount at the beginning of the financial year	-	-
Acquisition of unlisted equity securities	2,286	-
Impairment of unlisted equity securities	(1,908)	-
Total Financial assets at fair value through profit or loss	**378**	**-**
Total Investments	**5,323**	**9,015**

The Group invests in a small number of entities that operate in adjacent sectors and which have products or technologies that the Group views as complementary to its own strategy. These entities are small businesses usually with high growth but in the early stages of their life-cycle. The economic impacts of the COVID-19 pandemic has the potential to adversely impact the ability of these businesses to continue to grow and to access further capital as required. This has led to the Group's assessment that their recoverable amounts were less than their carrying values, which resulted in impairments.

21. 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 2020	Effective ownership interest 2019
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.

22. 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	**2020 $'000**	**2019 $'000**
Current assets	53	1,998
Non-current assets	1,202,412	1,003,028
Total assets	1,202,465	1,005,026
Current liabilities	47,731	34,089
Total liabilities	47,731	34,089
Net assets	1,154,734	970,937
Issued capital	1,442,981	1,282,148
Reserves	4,436	5,765
Accumulated losses – 2014 reserve	(96,805)	(96,805)
Retained profits – 2015 H1 interim reserve	-	8,202
Accumulated losses – 2015 H2 reserve	(323,833)	(323,833)
Retained profits – 2016 reserve	4,996	27,555
Retained profits – 2017 reserve	2,534	2,534
Retained profits – 2018 reserve	1,943	1,943
Retained profits – 2019 reserve	63,428	63,428
Retained Profits – 2020 reserve	55,054	-
Total equity	1,154,734	970,937
Profit for the year	**55,297**	**64,149**
Total comprehensive income	**55,297**	**64,149**

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 2020 (2019: nil). The parent entity has not given any unsecured guarantees at 30 June 2020 (2019: nil).

c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2020 (30 June 2019: nil).

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

As at 30 June 2020, the parent entity had no contractual commitments (30 June 2019: nil).

22. Parent Entity Financial Information (continued)

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 on the following page.

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.

23. Business Combinations

Acquisition of Redwave Media

On 18 October 2019, the Group announced it would acquire 100% of the Western Australian regional radio business of Seven West Media Group Limited (Redwave Media) to expand its Audio business, for a total cost of $28.3 million payable in cash. Control on the Redwave Media acquisition passed on 31 December 2019.

The assets and liabilities recognised as a result of the acquisition are as follows, which includes an additional $0.4m relating to the working capital adjustment:

	Balance Sheet Acquired $'000	Fair Value Adjustment $'000	Opening Balance Sheet $'000
Cash and cash equivalents	16	-	16
Receivables	1,637	(56)	1,581
Assets held for sale	-	3,243	3,243
Total current assets	**1,653**	**3,187**	**4,840**
Right-of-use asset	1,149	632	1,781
Property, plant and equipment	717	-	717
Deferred tax asset	411	(411)	-
Goodwill	-	9,959	9,959
Radio licences	17,316	1,091	18,407
Customer relationships	-	1,337	1,337
Total non-current assets	**19,593**	**12,608**	**32,201**
Total assets	**21,246**	**15,795**	**37,041**
Current liabilities			
Payables	415	(2)	413
Provisions	188	19	207
Total current liabilities	**603**	**17**	**620**
Non-current liabilities			
Lease liability	1,143	638	1,781
Deferred tax liability	-	5,923	5,923
Total non-current liabilities	**1,143**	**6,561**	**7,704**
Total liabilities	**1,746**	**6,578**	**8,324**
Net assets	**19,500**	**9,217**	**28,717**

The Group estimates that if the acquisition had arisen on 1 July 2019, the Group's revenues and profit after tax would have been $4.8 million and $1.1 million greater respectively.

On 1 May 2020, the Group sold the Bunbury Broadcasting licence it acquired through the acquisition of Redwave Media for its fair value of $3.2 million. The licence was required to be divested under an undertaking to the Australian Communication and Media Authority.

Other Notes to the Financial Statements

24. 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 2020 was $716,748 (2019: $269,650 expense).

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

Number of performance rights	2020	2019
Balance at beginning of the year	5,793,896	5,319,736
Granted during the year	2,142,305	1,957,873
Exercised during the year	-	-
Forfeited during the year	(1,349,550)	(1,483,713)
Cancelled during the year	(6,586,651)	-
Balance at end of year	-	5,793,896
Vested and exercisable at end of the year	694,939	784,396

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.

Because of the impact on the Company’s business from the COVID-19 health crisis and the lockdown measures implemented by federal, state and territory governments in response to the crisis, the Board has cancelled all outstanding performance rights under the LTI plan, including those issued during the year described below.

In cancelling the FY18, FY19 and FY20 LTI plans, potential future forefeitures have been included in determing the amount that should be recognised immediately.

The fair value of the performance rights issued during FY20 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	13 September 2019	13 September 2019
Grant date share price	$1.30	$1.30
Fair value at grant date	$1.09	$1.09
Exercise price	Nil	Nil
Dividend yield	5.96%	5.96%
Risk free interest rate	0.86%	0.86%
Expected volatility	30.34%	30.34%

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

24. Share-Based Payments (continued)

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.

25. Remuneration of Auditors

	Consolidated	
	2020 $	2019 $
(a) Audit and other assurance services		
PricewaterhouseCoopers Australian firm:		
Statutory audit and review of financial reports	738,780	621,900
Other assurance services	47,422	10,000
Regulatory returns	26,925	18,965
Total remuneration for audit and other assurance services	813,127	650,865
(b) Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax services	-	-
Total remuneration for taxation services	-	-
(c) Other services		
PricewaterhouseCoopers Australian firm:		
Debt advisory	137,700	-
Total remuneration for other services	137,700	-
Total	**950,827**	**650,865**

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.

26. 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	
	2020	**2019**
	$	**$**
Short-term employee benefits	4,528,110	6,044,098
Post-employment benefits	221,992	212,109
Other long-term benefits	64,141	(120,084)
Termination payments	44,301	679,576
Share-based payments	(867,253)	(114,581)
	3,991,291	**6,701,118**

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 (2019: nil).

b) Subsidiaries and Associates

Ownership interests in subsidiaries are set out in note 21. Details of interests in associates and distributions received from associates are disclosed in note 20. Details of loans due from associates are disclosed in note 13.

27. Leases and Other Commitments

	Consolidated	
	2020 **$'000**	**2019** **$'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	272	2,841
	272	**2,841**

Leases

From 1 July 2019, the Group recognised right-of-use assets for these leases, except for short-term and low value leases (refer note 29 for further information)

The Group leases various premises, IT equipment and vehicles. Premises typically have initial rental periods of 5 to 10 years, with options, exercisable by the Group, for periods extending the total lease period up to 30 years. Other leases are typically for less than 4 years. Transmission site leases at 30 June 2020 relate to the Redwave acquisition, which are expected to be transferred to the Broadcast Australia services agreement in FY 2021 (refer note 29 for details).

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Extension options are included in a number of property leases across the Group, which provide flexibility in terms of managing the assets used in the Group's operations. The extension options are exercisable by the Group, which applies judgement to determine whether these options are reasonably certain or not. Extension options have been included in all property leases across the Group, except those that are surplus to the Group's operational requirements. The value of extension options not included in property leases is $1.8 million.

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.

a) Amounts Recognised in the Statement of Comprehensive Income

The Statement of Comprehensive income shows the following amounts relating to leases:

	2020 **$'000**
Depreciation charge of right-of-use assets	
Premises	10,443
Transmisstion site	1,237
IT Equipment	1,700
Vehicles	289
	13,669
Interest expense on lease liabilities	**6,953**

28. Events Occurring after Balance Date

No 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.

29. 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 $14.3 million (2019: $15.0 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 hedge); or (2) hedges of highly probable forecast transactions (cash flow hedge). 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.

29. Other Accounting Policies (continued)

Hedge accounting

The Group designated interest rates swaps 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 2020 or 2019 in relation to the interest rate swaps.

Cash flow hedge

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.

29. 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.

29. Other Accounting Policies (continued)

New accounting standards and interpretations

AASB 16 Leases became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting this standard.

AASB 16 Leases

The Group has adopted AASB 16 Leases using the modified retrospective with no restatement of prior year comparative information. Changes to accounting policies and financial impact on adoption are detailed below.

(i) Accounting Policies

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

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

Under AASB 16, the Group recognises on its balance sheet right-of-use assets representing its right to use the underlying assets and corresponding lease liabilities representing its obligation to make lease payments at the lease commencement date.

Right-of-use assets are initially measured at cost and comprise the following:

- the amount of the initial measurement of lease liability

- any lease payments made at or before the commencement date less any lease incentives received

- any initial direct costs, and

- restoration costs.

The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at commencement date. These are discounted using the rate implicit in the lease, or, if that rate cannot be readily determined, the Group’s incremental borrowing rate, which is the rate the Group would have paid to borrow the funds necessary to obtain an asset of similar value in a similar economic environment and on similar terms and conditions. Generally, the Group uses its incremental borrowing rate.

Lease liabilities are subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there are changes in future lease payments arising from a change in index or rate (e.g. CPI), change in estimate of amount expected to be paid under residual value guarantees or as appropriate, changes in the assessment of whether a purchase or extension is reasonably certain to be exercised or whether a termination option is reasonably certain not to be exercised.

Lease payments are allocated between the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases (with a lease term of 12 months or less) and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

29. Other Accounting Policies (continued)

AASB 16 *Leases* (continued)

(ii) Practical expedients applied on transition

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

- elected not to reassess whether a contract is, or contains, a lease at the date of the initial application. Instead for contracts entered into before the transition date, the Group relied on assessments made applying AASB 117 and Interpretation 4 in determining whether an Arrangement contains a lease

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short term leases

- reliance on previous assessments on whether leases are onerous

- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease, and

- the use of a single discount rate to a portfolio of leases with similar characteristics

(iii) Financial statements impact of AASB 16 Leases

Impact on transition

On adoption, the Group recognised lease liabilities in relation to leases which has previously been classified as 'operating leases' under AASB 16 *Leases*. The lease liabilities are measured at the present value of minimum lease payments for the lease term, discounted using a weighted average incremental borrowing rate of 5.46%.

Critical judgements in determining the lease term

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

Extension and termination options have been included in all property leases across the Group except those that are surplus to the Group's operational requirements.

Lease liability on transition	**1 July 2019** **$'000**
Non-cancellable operating lease commitments disclosed at 30 June 2019	104,172
Different treatment of extension options	67,760
Discounted using the Group's incremental borrowing rate at the date of initial application	(17,851)
Lease liability recognised as at 1 July 2019	**154,081**

29. Other Accounting Policies (continued)

AASB 16 *Leases* (continued)

Lease liabilities as at 30 June 2020:

Lease Liabilities	30 June 2020 '$000
Current	6,370
Non Current	126,581
Total lease liabilities	**132,951**

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

	1 July 2019 $'000
Increase in assets	
Right-of-use assets	150,464
Movement in liabilities	
Lease provisions	3,617
Lease liabilities	(154,081)
Net Impact on retained earnings	**-**

The associated right-of-use assets on transition and as at 30 June 2020 by asset class:

	30 June 2020 '$000	1 July 2019 '$000
Premises	114,456	107,410
Transmission sites	1,721	38,974
IT Equipment	5,786	3,050
Vehicles	905	1,030
Total right-of-use asset	**122,868**	**150,464**

At 30 June 2020, the total cash outflow for leases was $14.5 million and additions to the right-of-use was $14.2 million, excluding acquisition leases.

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

29. Other Accounting Policies (continued)

AASB 16 *Leases* (continued)

On 6 August 2019, the Group announced the sale of its existing transmission assets and outsoucing of transmission services to Broadcast Australia. Following the sale, all transmission site leases were derecognised as leases and the agreement with Broadcast Australia was recognised as a service agreement. Transmission site leases at 30 June 2020 relate to the Redwave acquisition, which are expected to be transferred to the Broadcast Australia services agreement in FY 2021.

The Group recognised $13,668,706 of depreciation charges and $6,953,157 of interest costs in association with AASB 16 Leases.

Directors' Declaration

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 35 to 92 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

Rob Murray
Chairman
Sydney, Australia
20 August 2020

Grant Blackley
Managing Director
Sydney, Australia
20 August 2020

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) 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 2020 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2020
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

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

Our audit approach

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

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

Materiality

- For the purpose of our audit we used overall Group materiality of $2.2 million, which represents approximately 5% of the Group's profit before tax adjusted for impairment of investments.
- 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 also adjusted for impairment of investments as they are unusual or infrequently occurring items impacting profit or loss.
- 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*
Basis of preparation ***(refer to note 1)*** As described in note 1 to the financial report, the financial statements have been prepared by the Group on a going concern basis. COVID-19 has resulted in a significant decrease in advertising revenues and profits of the Group and has led to a reduction in forecast cash flows. The Group responded to this by raising equity and renegotiating its Syndicated Facility Agreement ("SFA") as outlined in note 17 and note 14 respectively. Assessing the appropriateness of the Group's basis of preparation for the financial report was a key audit matter due to its importance to the overall financial statements and the level of judgement involved in forecasting future cash flows of the business.	Assisted by PwC financial advisory experts in aspects of our work, we performed the following procedures, amongst others: • evaluated the appropriateness of the Group's going concern assessment and ensured all relevant information had been considered • read amendments to the SFA during the year and obtained an understanding of the key terms, including available drawdown amounts and covenants • read the terms of the short term deposits to assess appropriateness of classification as cash and cash equivalents • obtained written representations from management and the directors regarding their plans and the feasibility of these plans • evaluated key assumptions in the forecast cash flow models prepared by the Group • checked the mathematical accuracy of the forecast cash flow models prepared by the Group. We evaluated the adequacy of the disclosures in note 1 in light of the requirements of Australian Accounting Standards.
Impairment assessment for licences, tradenames, brands and goodwill ***(refer to note 11)*** The Group continues to have significant indefinite lived intangible assets and goodwill in the Audio cash generating unit (CGU), totalling $946.8 million as at 30 June 2020. This was a key audit matter due to the size of the indefinite lived intangible assets and on the basis that the impairment assessment involves judgemental estimates of future profits and cash flows. In addition, as a result of COVID-19 the degree of estimation uncertainty is heightened. As described in note 11, there is an inherent level of uncertainty around the business recovery period	In performing our audit work we considered, amongst other things: • whether the Group's identification of CGUs remains appropriate • the market capitalisation of the Group in comparison to the carrying value of its net assets • the appropriateness of adopting a fair value less costs of disposal methodology for estimating the Audio CGU's recoverable amount. To evaluate the fair value less costs of disposal discounted cash flow model ("the model") prepared for the Group's Audio CGU impairment assessment, with assistance from PwC valuation experts in aspects of our work, we performed the following procedures, amongst others: • performed mathematical accuracy checks

which has increased the level of judgement involved in the impairment assessment, which includes making assumptions about internal and external factors such as industry growth rates, future market share and the forecast financial performance of the Group.	• assessed the appropriateness of the discount rate incorporated in the model and terminal value methodology applied • assessed the reasonableness of the assumptions within the model compared to observable market information where available • evaluated the Group's historical ability to forecast future cash flows by comparing budgeted cash flows with reported actual performance • considered whether the model's allocation of corporate costs between CGUs was reasonable and reflective of actual costs incurred • assessed the sensitivity of changes in key assumptions incorporated in the model • compared the forecast cash flows used in the model to the most up-to-date forecasts and results. We evaluated the adequacy of the disclosures in note 11 in light of the requirements of Australian Accounting Standards.
Indefinite lived classification of intangible assets ***(refer to note 10)*** As at 30 June 2020, the Group has Audio intangible assets totalling $936.9 million, consisting of Brands, Tradenames and Radio Broadcasting Licences classified as indefinite lived intangible assets. This was a key audit matter because determination of whether or not intangibles are indefinite lived involves significant judgement. The determination has an impact on the financial report as it affects whether amortisation is recorded in the consolidated statement of comprehensive income.	In assessing the indefinite useful life of intangible assets, we performed the following procedures, amongst others: • considered regulatory developments in the year which could change the licence renewal process or use of the brands • assessed whether there had been any revocation of radio licences by Australian Communications and Media Authority (ACMA) in the year • evaluated strategic plans for the directors' intended use of the assets. • benchmarked the conclusion made by the directors against a selection of similar assets held by other industry participants in the radio broadcasting market. We considered the significant accounting policy disclosed in note 10 for consistency with Australian Accounting Standards.
Acquisition of Redwave Media ***(refer to note 23)*** On 30 December 2019, the Group acquired Redwave Media Pty Ltd (and related entities Geraldton FM Pty Ltd and Great Northern Broadcasters Pty Ltd) for $28.7 million with control transferring to the Group on 31 December 2019.	Assisted by PwC valuation experts in aspects of our work, we have performed the following procedures, amongst others: • evaluated the identification of the assets and liabilities acquired against the requirements of Australian Accounting Standards, the final transaction agreement, our understanding of the

Given the complexity of the acquisition accounting, the Group engaged a valuation expert who determined the valuation for the key assets purchased, being radio licences and customer relationships. This was a key audit matter due to the judgements and subjectivity in the valuation methodology applied by the Group and its expert.	business acquired and relevant legal correspondence • obtained the valuation expert's report and considered the key assumptions used in determining the fair values of the acquired assets recognised including media licences and customer relationships • considered the valuation methodologies applied against the requirements of Australian Accounting Standards • assessed the competence and capability of the valuation expert • agreed the initial purchase consideration paid to bank records and the purchase agreement. We considered the adequacy of the disclosures in note 23 in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, 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 Director's 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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 13 to 32 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the remuneration report of Southern Cross Media Group Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

PricewaterhouseCoopers

Trevor Johnston
Partner

Melbourne
20 August 2020