ANNUAL REPORT 2018

SOUTHERN CROSS AUSTEREO

absolutely engaging

86 AM, FM & Digital Radio Stations

7.6 Million National Reach

5 Million listeners nationally each week

46 FM & Digital Stations

3.8 Million listeners nationally each week

40 AM, FM & Digital Stations

1 Podcast Network

#1 Online Radio Group

#1 Radio Group on Social

17 Local Television News Services

5.3 million weekly TV viewers

$1 Billion
Capitalisation

2,500+
Staff

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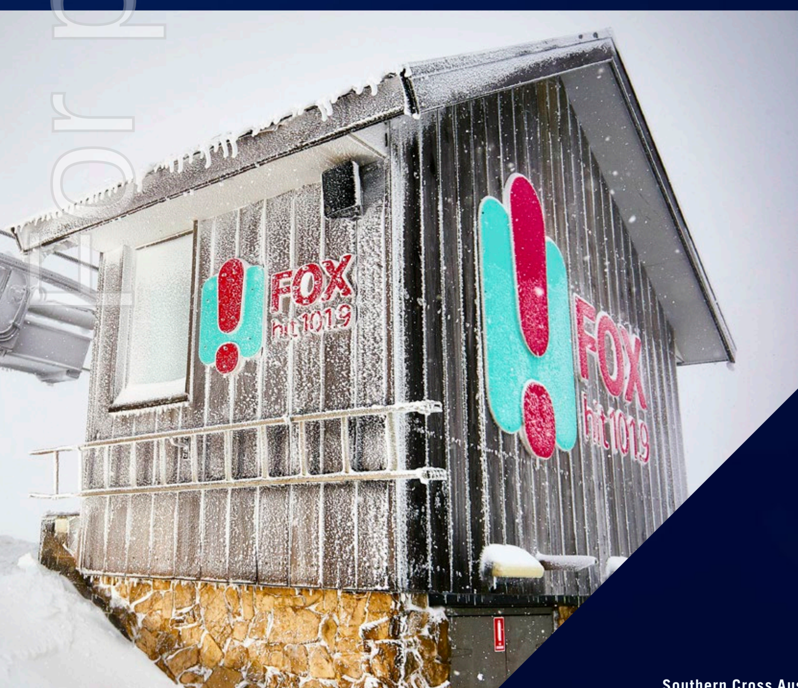
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KENNEDY
MOLLOY
WEEK OF
LONG
LUNCHES
16.

Winning Aspiration

Southern Cross Austereo is one of Australia's largest and most diverse media entertainment businesses, with audio and visual content covering 95% of the country.

> ***"This aspiration drives all of its people, from high profile national and local celebrities through to SCA's dedicated employees located throughout more than 60 offices around Australia."***

SCA has a Winning Aspiration to be the preferred entertainment company in its markets. This aspiration drives all of its people, from high profile national and local celebrities through to SCA's dedicated employees located throughout more than 60 offices around Australia.

With prominent brands, exceptional content, an expansive social media presence, integrated digital assets and exciting live events, SCA inspires Australian communities to engage with them every day.

Through advanced metrics, insight-driven strategy and an emphasis on innovation, SCA delivers exceptional outcomes for clients - connecting them with audiences in a unique and powerful way.


RNB FRIDAYS LIVE
2017
LIVE
LIVE

SCA Engages with Australia:

Southern Cross Austereo engages with more than 7.6 million consumers across Australia each week through its expansive audio assets and 5.3 million through its television assets.

Under the Triple M and Hit networks, SCA hosts 86 radio stations. In early 2018, the company rebranded Sea FM Bundaberg to Triple M - bringing the tally to 46 stations under the Hit brand and 40 under the Triple M brand. This includes the Hit and Triple M networks' portfolios of four digital radio brands each. Digital radio is available in the five mainland metropolitan capital cities at present and will be extended to Hobart, Canberra and Darwin during 2019.

On top of this SCA broadcasts 92 free-to-air TV signals in regional Australia, predominantly under the Nine Network brand.

SCA has the largest and most diverse talent line-up, with local talent in each market, and national shows featuring some of Australia's biggest names.

Each station places significant emphasis on everything local, ensuring communities have access to the information that matters most. SCA's local breakfast radio teams provide listeners with the latest from their regions including more than 21,500 hours each year of local news, sport and weather via 72 separate local news services.

In 2018, SCA moved to a new national corporate structure aimed at unifying its metropolitan and regional brands and optimising performance and growth into the future.

While each SCA station is unique, serving the needs and interests of its local market, all have access to the same exciting Hit and Triple M competitions and experiences - promoting a sense of community around the networks and enhancing brand sentiment.

Measurement of regional radio audiences continues to improve with SCA participating in 16 regional market surveys in 2018. These surveys show that regional radio audiences continue to be robust, with SCA's stations often ranking first or second (and sometimes both) in a high proportion of its regional markets.

"SCA has the largest and most diverse talent line-up, with local talent in each market, and national shows featuring some of Australia's biggest names."

Under the Nine Network brand, SCA broadcasts television in regional Queensland, regional Victoria, regional southern New South Wales, Broken Hill and Spencer Gulf. SCA broadcasts Seven programming in Tasmania, Darwin, Remote Central and Eastern Australia, Broken Hill and Spencer Gulf; and Ten programming in Broken Hill and Spencer Gulf. Through joint ventures, SCA also broadcasts Nine Network programming in Tasmania and Ten programming in Darwin and Remote Central and Eastern Australia.

In partnership with the Federal Government, a joint venture between SCA and Imparja Television operates the Viewer Access Satellite Television (VAST) service - making free-to-air television available to people living and travelling in remote Australia and in black-spot areas.

SCA broadcasts 15 local television news services across regional Victoria, southern New South Wales and regional Queensland. These services are produced by news journalists and production staff employed by Nine and hosted by SCA in each local market.

Following a rebrand from Southern Cross Television to Seven Local in July 2018, SCA continues to produce local news bulletins for its Tasmanian and Broken Hill/ Spencer Gulf broadcast areas and local news updates in the Darwin and Central broadcast areas. Each day, a committed team of journalists source stories that matter to the communities in these regions.


hit network
buddha hits
Easy hits
URBAN hits
old skool hits
TRIPLE M
GREATEST HITS
CLASSIC ROCK
MODERN
COUNTRY
9
Gem
Go!
Life
9NEWS LOCAL NEWS
7
7TWO
7mate
podcastone
ten

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present Southern Cross Austereo's Annual Report for the 2018 financial year.

The Company's revenue of $653.0 million was 5.0% down on the prior year and EBITDA of $154.7 million was 12.8% down on the prior year. Net profit after tax of $1.4 million was down 98.7% on the prior year. In addition to the impairment charge described below, these comparisons were affected by the Company's disposal during 2017 of its former northern NSW TV operations, a deferred tax credit of $14.8 million recognised in 2017 and reinstatement in 2018 of spectrum licensing fees. Reflecting the Company's strong cash generation, the Board maintained dividends of 7.75 cents per share, in line with the prior year.

These results were below our internal targets. The factors that influenced this performance included a greater than forecast decline of 3.4% in the three aggregated regional television advertising markets and the weaker than expected performance of our metro radio business in the first three quarters of the year. These factors were mitigated to some extent by the strong performance of our national sales teams in regional markets. Supported by ratings growth for Nine Network programming, our national television revenue share in the three aggregated markets grew from 33.8% to 36.9%, while our national regional radio revenue grew by a healthy 15.3%. The growth in national sales was driven by targeted initiatives taken to educate national advertisers about the economic and value-based advantages of investing in regional communities.

"Supported by ratings growth for Nine Network programming, our national television revenue share in the three aggregated markets grew from 33.8% to 36.9%, while our national regional radio revenue grew by a healthy 15.3%"

Metro radio declined in the first half of the financial year due predominantly to the underperformance of 2DayFM in Sydney. We took several initiatives in the second half of the year to address this underperformance. We were also disappointed that Vevo made a global decision in February not to renew contracts with international partners, including the Company.

The Company recognised an impairment charge of $104.7 million against the Company's regional business unit, driven by independent forecasts of an ongoing decline in regional television markets. These forecasts support the Company's decision to reduce its exposure to television by sale during 2017 of its former NNSW television business.

Changes made to our metro radio shows at the start of 2018, including the launch of two new national Drive shows in Kennedy Molloy and Hughesy & Kate, as well as a broadening of our Breakfast line-up on 2DayFM have contributed to an improved performance in the survey results recorded in 2018 for both the Hit and Triple M networks. Coupled with the increased audience delivered by our digital radio stations, this has enabled the Company to deliver a much improved metro radio performance in the second half, notably in the fourth quarter following the release of survey 1 in March 2018. This is providing positive momentum into the new financial year.

With the Board's support, management has started a project to review the Company's strategic workforce requirements. A significant change to integrate the metro and regional business units and re-align the Company along national functional lines was announced in June. This project will allow the business to have a consistent operating model across all our assets and will result in more effective communication and collaboration. Importantly, this project will ensure that the Company has the right resources to be the preferred entertainment company in our markets. This will include ongoing investment in our people, with a strong focus on culture and leadership and on strategies to secure key talent, both for the management roles of the future and the next generation of talent for flagship radio shows and podcasts.

After significant changes since 2015, the Board was stable throughout the year just ended. Leon Pasternak and I will be submitting for re-election at the AGM later this year. Leon has indicated that, if he is re-elected, this will be his last term as a director. The Board continues to value Leon's knowledge and insights gained from his 13 years on the Board and will conduct an orderly process to identify a successor.

On behalf of the Board, I thank all of the Company's 2500 employees and contractors, led by Grant Blackley and his senior leadership team, for their efforts during the year. I also thank my fellow directors for their counsel and contribution during the year. I look forward to working with the Board and management team in the year ahead to achieve our aspiration to be the preferred entertainment company in our markets.

- Peter Bush
Chairman

CEO’s Report

Over the past three years, we have made substantial changes to strategic, financial, operational and organisational aspects of our business. These changes have been made to embed and achieve our aspiration to be the preferred entertainment company in our markets, with a clear focus on optimising our extensive audio assets and expertise. To this end, we have built the leadership capabilities of our senior management teams; invested in our on-air radio and podcasting talent; extended our core Hit and Triple M brand families to our regional and digital radio stations; established PodcastOne as the leading commercial podcast network in Australia; negotiated long-term extensions of our AFL and NRL broadcast rights and successfully trialled broadcasting test cricket; seamlessly changed our principal regional television affiliation to the Nine Network; extended our affiliation with the Seven Network; and divested our Ten-affiliated northern New South Wales television licence along with a significant portfolio of transmission sites and other non-core property assets. Over the same period, we have reduced the Group’s net debt by $283.9 million (from $587.9 million to $304.0 million).

Effective 1 July 2018, we have implemented a new national operating model. Our core business functions of operations, content, sales, finance and corporate affairs, and technology, are now aligned nationwide. This will enable us to further improve and streamline processes, communication flows and decision making.

Significantly, under this new structure our Chief Technology Officer Stephen Haddad has joined the senior leadership team. This reflects the important role that technology will continue to play in executing our strategy. For example, over the past three years we have upgraded our traffic and booking systems (and integrated them with our financial reporting systems), installed new radio playout systems to enhance our ability to share content around our assets and to monetise that content, and rolled out video conferencing facilities to reduce travel requirements and improve the effectiveness of meetings and executive time management. In the new financial year we will go live with the Salesforce customer relationship management system – making it easier for our clients to deal with us and provide our teams with a single customer view across multiple assets. Another key project for our technology team, following the sale of our Canberra TV playout facility, is confirmation of new long-term arrangements for playout of our 105 television signals. We expect to announce our preferred option soon.

I wish to pay tribute to our former Head of Regional Media, Rick Lenarcic, who has left the business after 25 years. Rick played a key role in many of the initiatives that have given us a leading position in our regional markets (that we will continue to build on). He leaves with our best wishes.

With the aspiration of being an entertainment company that delivers market leading value-creating brands and to be the preferred entertainment company in our markets, our strategy has four pillars. We have work to do on all of these and I’m confident that the new national operating model will help to accelerate progress in the year ahead.

- **Optimising our audio assets:** The ongoing ratings underperformance of 2DayFM has adversely affected our aggregated metro ratings share and, as a result, our network revenue share and earnings. Continuing to rebuild our ratings position is a key goal for the new year. On the other hand, our new national Drive shows on Hit (Carrie & Tommy, followed by Hughesy & Kate) and Triple M (Kennedy Molloy) delivered strong ratings and financial outcomes around Australia. The success of Hughesy & Kate was particularly notable as they filled the gap left by Hamish & Andy. Other notable successes include the emergence of PodcastOne Australia as the leading commercial podcast network in Australia with over 54 million downloads since launch in August 2017 and growing commercial interest; establishment of our Hubble talent development unit; and roll-out of our Hit and Triple M digital radio brand families, enabling us to report and monetise an additional 300,000 or more listeners.
- **Improve the audio experience of our audience:** Improved functionality in our apps led to 20% growth in Hit and Triple M memberships. Our audio products, including bespoke news updates, are available on new voice-activated platforms (Google Home, Amazon Alexa and Sonos). Catering to the growing consumer demand for personalised on-demand audio products will be a point of focus for the year ahead.

- **Efficiently monetise all available audience:** Our national advertising share in metro radio markets exceeded our ratings share. There is an opportunity to build on this success by further educating advertisers about aggregation of our FM and digital audiences and by continuing to enhance the sales focus of our research team. The roll-out of Salesforce will streamline our dealings with advertisers in major radio sales markets.
- **Explore non-audio entertainment in growth markets:** A management investment committee considered a range of opportunities during the year, but few satisfied our criteria for investment. Over the past 18 months we have established a Digital Marketing Agency which provides a range of services to small and medium-sized businesses in regional Australia to help them improve and optimise their online marketing and presence. This has enhanced our client relations while also providing a profitable revenue stream. Because of operational challenges we recently ended our Quik Entertainment trial of premium audio visual news delivery in several of QIC's shopping centres. Funded by provision of contra advertising, we have taken an investment in OVO Mobile – a start-up mobile operator that uses the Optus network.

I am proud that the Company's annual Give Me Five for Kids campaign this year raised over $2.5 million for children's hospitals and children's wards in regional Australia. Supported by the volunteer spirit of our workforce, more than 95% of that total was donated to charities. Our two-year partnerships with OzHarvest, Black Dog Institute and CanTeen came to a very successful end. We very much enjoyed helping those organisations to grow and develop their charitable activities and, importantly, improve their operations through our strategic influence. We will shortly announce new charitable partners for the next two-year cycle.

Southern Cross Austereo has a unique combination of assets: Australia's largest radio network united under the Hit and Triple M brands, strong partnerships in regional Australia with Australia's leading free-to-air television broadcasters, and a fast-growing premium podcasting network – all supported by highly engaged communities on our digital and social media channels. These assets provide valuable scale and ease of dealing for our advertising clients, in brand-safe environments for their products and services.

Most importantly, we have a team of talented people dedicated to delivering our strategy. I thank all of our people and the Board for their support during the year and confirm our commitment to achieving positive outcomes for our audiences, clients and shareholders.

- Grant Blackley
Managing Director and Chief Executive Officer

The Leaders In Audio

The Hit Network

Hit aspires to be the leading entertainment companion for women in Australia.

"Hit is focused on creating dynamic, authentic and unique content which generates a sense of community around shows and creates ongoing buzz."

With a focus on hit music, old-school favourites and RNB Fridays, the Hit network entertains 5 million radio listeners every week across 46 stations, including four digital channels: Old Skool Hits, Buddha Hits, Easy Hits and (most recently) Urban Hits.

Targeted predominately at women, Hit is the leader among audiences under 40 years of age and is home to popular personalities including Fifi Box, Kate Langbroek, Grant Denyer, Ed Kavalee, Abby Coleman, Dave Hughes, Brendan Fevola, Carrie Bickmore, Tommy Little, Constance Hall, Heidi Anderson and Ash London.

With a vast social media presence of 5.89 million Facebook fans, 649,200 Twitter followers and 555,100 Instagram followers, audiences are constantly connected with the Hit brand.

In 2017, the Hit network once again collaborated with Frontier Touring, selling out RNB Fridays Live events in Sydney, Brisbane, Perth, Adelaide and Melbourne with over 90,000 attendees and more than 6 million engaged across social media. RNB Vine Days then sold out inaugural winery shows right around Australia.

Hit is focused on creating dynamic, authentic and unique content which generates a sense of community around shows and creates ongoing buzz.


RNB


BACKSTREET BOYS
LARGER THAN LIFE

The Leaders In Audio

The Triple M Network

Triple M is about passion. Triple M is where Aussie men, exceptional talent and clients want to belong.

"The iconic brand entertains more than 3.9 million radio listeners each week..."

Triple M is Australia's network for rock, sport and comedy, entertaining a predominately male audience in metro cities for close to 40 years. Triple M includes a total of 40 stations around Australia, including four digital stations: Triple M Modern Rock, Triple M Classic Rock, Triple M Greatest Hits and Triple M Country.

The iconic brand entertains more than 3.9 million radio listeners each week and connects with 3.4 million fans via Facebook and 495,400 followers through Twitter.

Triple M is home to some of Australia's biggest sporting heroes, comedians and music gurus including Eddie McGuire, Mick Molloy, Jane Kennedy, Matty Johns, Mark Geyer, Gus Worland, Wil Anderson, Robin Bailey, Lawrence Mooney, Ryan Girdler, Peter Sterling, The Chaser, Luke Darcy, James Brayshaw, Billy Brownless, Chris Judd, Gorden Tallis, Greg Martin, Dennis Cometti, Mark Ricciuto, Chris Dittmar, Andrew Jarman and Dale Lewis.

With an emphasis on humour, local and national events, live performances, multi-dimensional sporting coverage and unique digital content (combined with increased consumption options), Triple M gives audiences what they want, where they want it.

Triple M's unique tone and identifiable market segment helps clients reach their target audience in an evocative and effective way.

“Triple M’s unique tone and identifiable market segment helps clients reach their target audience in an evocative and effective way.”

The Leaders In Audio

PodcastOne

Since commencing in July 2017, PodcastOne Australia has achieved more than 54 million downloads with 98% of downloads attributed to original domestic podcasts.

"PodcastOne's leading podcasters include Hamish & Andy, Mark Howard, Christian Hull, Rosie Waterland, Tiff Hall & Cass Dunn, Mark Bouris, Adam Shand, Janine Allis, Dr Nikki Goldstein, Mark Pesce and Gary Mehigan."

With genres including comedy, true crime, sport, lifestyle, health and business, PodcastOne's leading podcasters include Hamish & Andy, Mark Howard, Christian Hull, Rosie Waterland, Tiff Hall & Cass Dunn, Mark Bouris, Adam Shand, Janine Allis, Dr Nikki Goldstein, Mark Pesce and Gary Mehigan.

PwC's 2018 Future Outlook for Radio study forecast that the podcast market in Australia would grow from 3.5 million listeners in 2017 to 8.9 million listeners in 2022. Moreover, PwC forecast that the revenue pool would grow from $5 million in 2017 to $100 million in 2022. PodcastOne is well positioned to be at the forefront of that growth.

Using SCA's other media assets to drive awareness and discovery of new podcasts across radio, TV, digital and social media, PodcastOne will continue to build on its leadership position as Australia's only premium commercial podcast network.

A growing relationship with America's leading commercial podcast network, PodcastOne US, has seen Australian podcasts adopted on the US network apps and website. This collaboration has created new opportunities for Australian podcast creators who are now easily accessible to the world's largest podcast market for both entertainment and commercial purposes. Likewise, PodcastOne Australia now hosts all 130 PodcastOne US podcasts for Australian audiences across its platforms.

"Podcasting is a deeply immersive and personal experience which attracts niche audiences. This presents a powerful opportunity for advertisers to integrate advertising messages in an authentic and meaningful way."

Podcasting is a deeply immersive and personal experience which attracts niche audiences. This presents a powerful opportunity for advertisers to integrate advertising messages in an authentic and meaningful way. Significantly, research by SCA conducted between November 2017 and May 2018 shows that 63% of podcasters took action as the result of the advertising or sponsorship heard with a podcast. The study also revealed that 93% of podcasts were listened to in their entirety (or close to their entirety).

Whilst radio listening remains strong, the SCA study revealed that podcast listening is increasing throughout the day during key commute times and into the early evening. 53% of podcasters listen to podcasts in their car; while 59% listen at home.

Based on predicted market growth, SCA will invest further into PodcastOne with increased resources being allocated to sales infrastructure and content creation.

Entertaining The Future

SCA is committed to innovation, and is actively exploring both audio and non-audio growth market opportunities.

> ***"The Hit and Triple M network apps grew by 55% over the past year, and now have over 250,000 users between them."***

SCA is providing its listeners with more music and content than ever before across various devices.

Hit network and Triple M network radio stations can now be streamed online via the individual Hit and Triple M websites, the Hit and Triple M network apps, or the industry preferred RadioApp. The Hit and Triple M network apps grew by 55% over the past year, and now have over 250,000 users between them.

For those who cannot listen live, radio content is available via catch-up podcasts - with many of SCA's shows regularly featuring in the top 10 trending podcasts. Over the past 12 months, SCA's catch-up audio increased by 69% taking it to 24.5 million downloads.

The development of consumer wireless smart speaker devices presents an exciting opportunity for audio producers. SCA has embraced this opportunity, making live radio streams, local news bulletins and catch-up radio podcasts available across multiple smart speaker devices.

SCA partnered with Sonos to directly integrate live and catch-up radio content with Sonos devices. A first of its kind in Australia, the collaboration enables listeners to play Triple M and Hit network stations on Sonos devices throughout their homes.

In addition, every week, SCA now creates 180 minutes of local and national on-demand news updates for Google News and Alexa Flash Briefings. These news updates are host-read in five metropolitan capital city markets and will be expanded to include several major regional markets in the year ahead.

> *“In 2018, SCA launched Hubble – an industry first talent development initiative aimed at discovering, documenting, developing and deploying talent across its networks.”*

In 2018, SCA launched Hubble – an industry-first talent development initiative aimed at discovering, documenting, developing and deploying talent across its networks. Triple M Modern Digital now hosts SCA’s talent development shows, providing listeners with a variety of entertaining show content between 12 noon and 2pm weekdays.

Seven months into the venture, Hubble is already yielding results - with several placements across SCA’s regional breakfast programs and one show (Luke & Lewis) regularly on Melbourne’s Fox FM in a late-night slot.

Television

SCA has affiliation arrangements with the three metropolitan commercial networks, broadcasting their programming into all Australian States and mainland Territories other than Western Australia.

"SCA's principal affiliation with the Nine Network continues to deliver, with Nine securing exclusive rights to all premium tennis played in Australia including the Australian Open."

SCA's principal affiliation with the Nine Network continues to deliver, with Nine securing exclusive rights to all premium tennis played in Australia including the Australian Open. Commencing from January 2019, this historic six-year deal complements an already impressive list of premium sport events including the NRL, State of Origin and Australian Netball. These premium sports are in addition to Nine's slate of leading programs including Sixty Minutes, The Block, Ninja Warrior and Doctor Doctor.

Through its partnership with Nine, SCA continues to invest in local news with journalists located at SCA's regional premises throughout Queensland, New South Wales, Victoria and the Australian Capital Territory.

Renewing a long-standing affiliation with the Seven Network in 2018, SCA's Tasmania, Darwin, Spencer Gulf, Broken Hill and Central Australia stations will broadcast programs such as My Kitchen Rules, House Rules, Home & Away, Andrew Denton's 'Interview' and, from October 2018, cricket.

Seven's six-year agreement with Cricket Australia includes coverage of all home International tests including the 2021-22 home Ashes series, key Big Bash League and Women's Big Bash League matches, Women's International matches, the Allan Border Medal and the Belinda Clark Award.

Connecting Clients & Consumers

SCA’s aggregated audiences across radio, television, online and social platforms provide clients with large scale and diverse reach - simply identifiable by premium national brands.

> ***“With a strong research and analytics team, SCA has a comprehensive understanding of its audiences and uses this to help clients develop data-driven strategies to facilitate rewarding interactions.”***

In 2018, SCA simplified and strengthened its commercial offering by combining access to its FM and digital portfolio, enabling clients to target like-minded but nuanced audiences.

Through SCA’s powerful on-demand platform PodcastOne, clients can hone in on market segments further… targeting their messaging in line with key interest areas such as health, sport, business and more.

With a strong research and analytics team, SCA has a comprehensive understanding of its audiences and uses this to help clients develop data-driven strategies to facilitate rewarding interactions. SCA’s insights and diversity of brand assets enable clients to construct and magnify their campaigns in the most powerful ways.

SCA's Digital Marketing Agency provides a range of services to small and medium-sized businesses in regional Australia to help them improve and optimise their online marketing and presence as part of their overall marketing strategies.

The importance of these insights and working relationships with clients is reflected in a notable increase in regional spend by national advertisers, indicating shifting perceptions and an increased awareness of the significant role that regional markets play in amplifying brands.

"SCA's insights and diversity of brand assets enable clients to construct and magnify their campaigns in the most powerful ways."

Culture, Leadership & Diversity

SCA's People

SCA's culture, shaped by its talented and creative people, underpins its competitive advantage. Its values of Courage, Initiative, Creativity, Integrity and Collaboration guide key decision making and day-to-day operations.

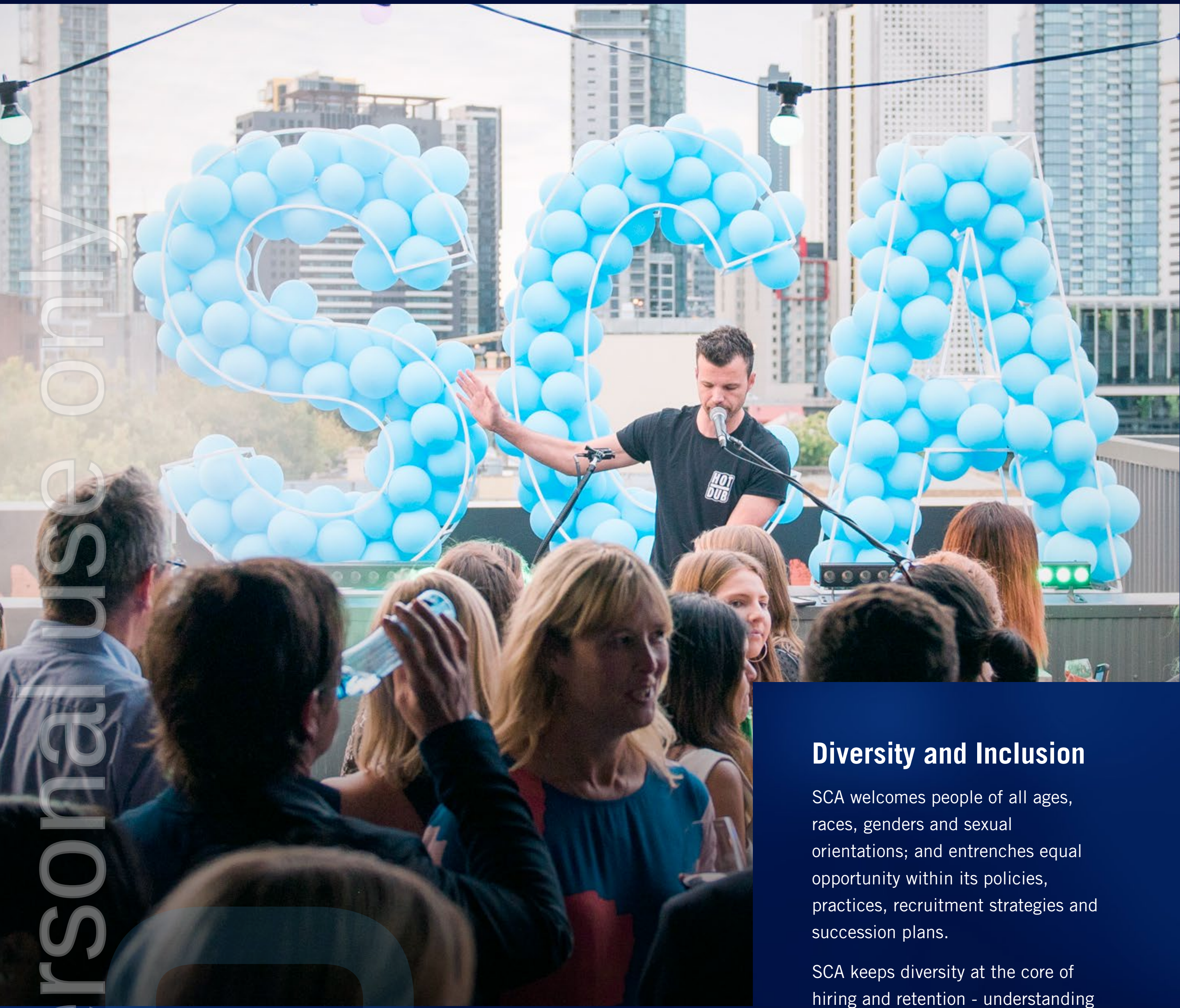
"SCA's leadership team includes some of the most experienced and adept individuals in the media industry. This group develops and implements corporate strategy, while providing ongoing support to their teams."

SCA believes a collaborative work culture helps create a successful business that attracts, develops and retains the best talent. Through ongoing professional development, internal promotions, robust leadership structures and regular team building activities, SCA fosters an environment where people feel valued, supported and inspired to reach their full potential.

With over 2,500 employees located throughout Australia, SCA recognises that communication is paramount and keeps staff informed through regular emails, Q&A podcasts, video presentations and face-to-face briefings.

In addition, a range of social events and informal gatherings help cultivate Company culture and build staff morale.

SCA's leadership team includes some of the most experienced and adept individuals in the media industry. This group develops and implements corporate strategy, while providing ongoing support to their corporate teams. A bi-annual employee engagement and culture survey gives SCA valuable insights into staff perspectives and informs change initiatives and success strategies.



Diversity and Inclusion

SCA welcomes people of all ages, races, genders and sexual orientations; and entrenches equal opportunity within its policies, practices, recruitment strategies and succession plans.

SCA keeps diversity at the core of hiring and retention - understanding that it leads to greater creativity, better decision-making and a more dynamic business overall. A recent diversity and inclusion survey encouraged staff to share feedback for ongoing-improvement.

> ***"The company offers scholarships to women in leadership to support and accelerate their career development, and has established a job rating system to identify and address differences in the earnings of male and female employees within the business."***

The Company offers scholarships to women in leadership to support and accelerate their career development; and has established a job rating system to identify and address differences in the earnings of male and female employees within the business.

Making A Difference

SCA is committed to making a difference in the communities in which it operates, and beyond.

GM5FK

Give Me 5 for Kids is SCA's national fundraiser which has been supporting and raising funds for local children's health charities across regional Australia for more than 20 years. Beginning in the 1990s as a simple coin drive from the New South Wales Central Coast region, this annual charity drive has since raised $22.3 million nationally, and benefited more than 40 paediatric wards of local hospitals and children's health-related charities.

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

SCA bears all the administrative costs of the annual appeal and, thanks to the volunteer spirit of its workforce, over 95% of funds raised are donated to charity.

"Give Me 5 for Kids is SCA's national fundraiser which has been supporting and raising funds for local children's health charities across regional Australia for more than 20 years."

SCA Embrace:

SCA Embrace is a two-year partnership between SCA and selected charitable organisations. The program facilitates the equitable allocation of the Company's powerful resources to ensure its impact can be felt far and wide.

Since the initiative's inception in 2016, SCA has provided more than $12 million dollars of value in air time plus event support, access to talent, interviews, social media assistance, concert tickets, data insights and more.

For the past two years, SCA has worked with three different charities: OzHarvest, BlackDog Institute and CanTeen. The support provided has enabled these organisations to raise much needed funds and awareness - significantly improving the lives of those who need their support most.

"The annual Give Me 5 for Kids Appeal has enabled the District to enhance medical equipment and the therapeutic items across a broad range of paediatric services with over $2 million has been donated since Give Me 5 commenced."

- Jan Richens, Manager Fundraising and Donations, NSW Central Coast Local Health District

"SCA's partnership has allowed Black Dog Institute to reach people nation-wide and share strong, evidence-based mental health messages. This extremely generous support has set us up for success in our pursuit of creating a mentally healthier world."

- Scientia Professor Helen Christensen, Director and Chief Scientist, Black Dog Institute

Habitat for Humanity:

SCA partners with Habitat for Humanity to offer four employees the opportunity to participate in Rock the House.

> **"SCA partners with Habitat for Humanity to offer four employees the opportunity to participate in Rock the House."**

Rock the House is a project where teams of people work together to construct housing for disadvantaged people in impoverished communities. After SCA's successful involvement in Rock the House Yogyakarta, Indonesia last year, the project will this year be held in Siem Reap, Cambodia.

"Rock the House was a life changing experience. In small teams with people from all over Australia I felt like we helped make a significant and direct impact to the lives of our host families. It was incredible getting to know the family and their history."

– Rhys Anderson, Commercial Content Producer.

"It has been truly wonderful to see the SCA Embrace partnership unfold and a greater number of young people turning to us for help as a direct result.

On behalf of everyone at CanTeen and the young people we support, I'd like to say a huge thank you to all the awesome staff at Southern Cross Austereo."

- Peter Orchard, CEO of CanTeen.

The Board & Leadership Team

PETER BUSH
Chairman

Peter Bush had a distinguished career in executive roles spanning the media, FMCG, advertising and consumer products sectors. He also brings considerable and highly respected public company directorship experience to Southern Cross Media Group.

Peter is currently Chairman of Inghams Group Limited. He has previously served on the boards of Mantra Group Ltd, Pacific Brands Ltd, Nine Entertainment Holdings, Insurance Australia Group, Miranda Wines, McDonald's Australia Limited and Lion Nathan.

Appointed: 25 February 2015.
Most recently elected by shareholders: 29 October 2015.
Board Committees: Chairman, Nomination Committee.

LEON PASTERNAK
Deputy Chairman

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.

Until July 2010, Leon Pasternak was a senior corporate partner at Freehills (now Herbert Smith Freehills) specialising in mergers and acquisitions, public finance and corporate reorganisations.

Appointed: 26 September 2005.
Most recently elected by shareholders: 20 October 2016.

MELANIE WILLIS
Director

Melanie has extensive experience in corporate finance, strategy and innovation and investments both in executive and non-executive roles in a number of sectors including accounting and finance, infrastructure, property investment management and retail services (including tourism and start-up ventures).

She has held non-executive director roles on the boards of tourism and leisure operator Mantra Group, specialist lender Pepper Group and Ardent Leisure.

She was CEO of NRMA Investments (and head of strategy and innovation) and CEO of a financial services start-up and director of Deutsche Bank, having previously been in corporate finance at Bankers Trust and Westpac. Melanie is currently also a non-executive director of fund manager Challenger Limited.

Appointed: 26 May 2016.
Most recently elected by shareholders: 20 October 2016.
Board Committees: Audit & Risk Committee (Chair), People & Culture Committee.

ROBERT MURRAY
Director

Robert Murray has had a distinguished career in sales, marketing and general management having served most recently as the CEO of Lion (formerly Lion Nathan), one of Australasia's leading food and beverage companies, including during its acquisition by Kirin Holdings in 2009.

Before joining Lion Nathan in 2004, Rob worked for Procter & Gamble for 12 years; and then served for eight years with Nestlé, firstly as MD of the UK Food business, and from 2000 to 2004 as CEO of Nestlé Oceania. Rob is a board member of the Bestest Foundation and is Chairman of Metcash Ltd.

Appointed: 1 September 2014.
Most recently elected by shareholders: 24 October 2017.
Board Committees: People & Culture Committee, Nomination Committee.

HELEN NASH
Director

Helen Nash has more than 20 years' experience in brands and marketing, including seven years in FMCG at Procter & Gamble, followed by three years in publishing at IPC Media. Helen held a variety of senior executive roles at McDonald's Australia Limited over a period of nearly 10 years, including the position of Chief Operating Officer overseeing restaurant operations, marketing, menu, insights and research and information technology.

Helen is also a non-executive director of Blackmores Ltd, Metcash Ltd and Inghams Group Limited. She was formerly a non-executive director of Pacific Brands Ltd.

Appointed: 23 April 2015.
Most recently elected by shareholders: 24 October 2017.
Board Committees: Audit & Risk Committee, People & Culture Committee (Chair), Nomination Committee.

GLEN BOREHAM AM
Director

Glen Boreham AM had a distinguished career at IBM culminating in the role of Chief Executive Officer and Managing Director, IBM Australia and New Zealand from 2006 to 2010. Glen was the inaugural Chair of Screen Australia from 2008 to 2014, and also chaired the Australian Government's Convergence Review of the media industry.

He is a non-executive director of Cochlear Limited and Link Group Limited; and Chair of the Advisory Board at IXUP Limited. Glen was previously Chair of the Industry Advisory Board at the University of Technology Sydney, and Chair of Advance (representing the one million Australians living overseas).

Appointed: 1 September 2014.
Most recently elected by shareholders: 20 October 2016.
Board Committees: Audit & Risk Committee, People & Culture Committee.

The Board & Leadership Team

GRANT BLACKLEY
CEO and Managing Director

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 a Director of Commercial Radio Australia and 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.

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

NICK MCKECHNIE
Chief Financial Officer

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

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

Appointed: September 2014.

GUY DOBSON
Chief Creative Officer

Guy Dobson is responsible for overseeing and road-mapping the strategic and creative direction of all areas of Content – FM, Digital Radio and all Digital media.

Prior to this appointment, Guy was head of Metro Operations for three years and CEO of Austereo Pty Ltd for two years before that. Guy has also been Managing Director of Australia's largest radio consultancy ESP. He has held several senior programming roles both in Australia and overseas.

Appointed: June 2015.

BRIAN GALLAGHER
Chief Sales Officer

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

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

Appointed: July 2015.

JOHN KELLY
Chief Operating Officer

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

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

Appointed: February 2016.

STEPHEN HADDAD
Chief Technology Officer

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

Stephen is responsible for all technology domains across SCA, including Business Systems, Corporate Networks and Infrastructure, Digital Design and Development, Audio Engineering Technology and Operations and Television Broadcast Engineering and Operations. Stephen also has management responsibility for the Project Management Office and Procurement functions.

Appointed: June 2018.

TONY HUDSON
General Counsel and Company Secretary

Tony Hudson has over 20 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 Hudson manages the group's national legal and corporate affairs teams, including responsibility for regulatory affairs and board governance.

Appointed: September 2015.

Financial Report

2018

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The financial statements were authorised for issue by the Directors on 23 August 2018. 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 2018 Annual Report is lodged. The 2018 Corporate Governance Statement is available in the 2018 Annual Report on the website.

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 2018. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The following persons were Directors of the Company during the whole of the year, unless otherwise stated, and up to the date of this report:

- Peter Bush (Chairman)
- Leon Pasternak (Deputy Chairman)
- Grant Blackley
- Glen Boreham
- Rob Murray
- Helen Nash
- Melanie Willis

Principal Activities

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

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

Review and Results of Operations

Operational Review

Group Results

The Group reported revenues of $653.0 million, down 5.0% on the prior year revenues of $687.2 million, and Earnings before Interest, Taxes, Depreciation and Amortisation ("EBITDA") of $154.7 million, down 12.8% on prior year EBITDA of $177.4 million. Net Profit after Tax ("NPAT") of $1.4 million is down 98.7% on prior year NPAT of $108.6 million. Current year results included impairment charges against intangible assets and investments of $104.7 million; excluding this significant item, NPAT of $75.3 million is down 30.7% on the prior year NPAT of $108.6 million. The 2018 results have been impacted by the loss of earnings from the Northern New South Wales ("NNSW") Television business that was sold in May 2017 as well as the reinstatement of spectrum licensing fees. The NNSW television licence was sold so SCA could align with selling Nine Network content across the east coast. The 2017 NPAT of $108.6 million was inclusive of a $14.8 million deferred tax credit following the disposal of the Northern New South Wales television business.

Net debt has reduced by a further 5.3% to $304.0 million and net finance costs of $14.8 million are down 21.2% on the prior year.

Significant Items

In 2018, the Group recognised impairment charges against intangible assets and investments of $104.7 million, which related to an impairment in the carrying value of television licences in the Regional Free-To-Air Broadcasting ("Regional") Cash Generating Unit ("CGU"). There was also a related derecognition of a deferred tax liability in respect of certain brands and licences for $30.8 million. Refer to notes 6, 8, 9 and 11 for further information. In respect of the Regional CGU, television markets continue to decline, with a three-year compound annual growth rate of (4.5)%. Independent estimates of television industry growth rates over the forecast period show further significant declines which has led to the $104.7 million impairment in intangible assets and investments.

Segment Profit and Loss

	2018 $'m	2017 $'m	Variance
Regional	**392.3**	417.9	(6.1%)
Metro	**242.7**	247.1	(1.8%)
Corporate	**18.0**	22.2	(18.9%)
Total Revenue	**653.0**	687.2	(5.0%)
EBITDA			
Regional	**114.6**	125.8	(8.9%)
Metro	**57.7**	60.1	(4.0%)
Corporate	**(17.6)**	(8.5)	(107.1%)
Total EBITDA	**154.7**	177.4	(12.8%)
Group NPAT	**1.4**	108.6	(98.7%)
Group NPAT (excluding significant items)	**75.3**	108.6	(30.7%)

Review and Results of Operations (continued)

Regional

The Regional business consists of a number of regional radio and regional television licences. Each regional television licence receives programming from a metropolitan television network affiliate and 2018 was the second year the Group received the majority of its programming from Channel Nine. Throughout 2018, the Group also extended its program supply agreement with Channel Seven for the Tasmania and Central Australian licence areas. The combination of two premium programming agreements gives SCA a strong audience share across its TV licence areas and the improved monetisation of this audience has driven Television revenues up 3.6% on a like for like basis.

Regional radio continues to be a strong performer for the Group with advertising revenues of $172.9 million, up 4.5% on 2017. Revenue from national agency clients was up 15.3%. This growth has been driven by the Group's stated objective of increasing the profile of Regional Radio by conducting audience surveys in many regional markets and working with key agency clients to help them better understand the benefits of Regional Radio advertising. Local revenues have remained flat, partly as a result of national advertising taking an increasing share of the available inventory.

Metro

The Metro business consists of two complementary radio brands operating in the Australian capital cities 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.

Overall, the metropolitan free-to-air radio advertising market has performed relatively well throughout 2018, increasing 3.8% on the 2017 financial year. A challenging start to the year resulted in our overall share of this market declining 1.2 points, however it was pleasing to see share improvement in the second half of the year. An improving ratings position and the monetisation of our Digital radio stations resulted in an improved second half performance with revenues up 2.0% on the corresponding prior period.

Metro EBITDA is back 4.0% on the prior year, however the 2017 result was positively impacted by the temporary abolition of licence fees. Excluding the impact of this, our 2018 EBITDA is back 1% and this result includes an increased investment in PodcastOne.

Corporate

The Corporate business comprises the Group-wide centralised functions of the Group, as well as the results of the Canberra FM radio business in which the Group has a 50% shareholding. The 2017 results were impacted by around $5.0 million of non-recurring credits, including the favourable resolution of the copyright dispute.

Financial Position

The financial position of the Group continues to improve with net debt reducing 5.3% on 2017 to finish the year at $304.0 million. The Group's key debt measures continue to improve with a leverage ratio of 1.79 times, down from 1.81 times in June 2017, and interest cover improving to 12.03 times, up from 10.0 times in June 2017.

Strategic Update

During the 2018 financial year the Group has executed on a number of elements that support the achievement of the Group's medium-term strategic objectives of:

1. Optimising key audio assets;
2. Ensuring an improved audio experience for our audience;
3. Monetising all available audience efficiently with clients; and
4. Exploring non-audio entertainment in growth markets.

We have continued to improve our radio content offering with the launch of new Drive shows across both the Hit and Triple M networks and an improved breakfast show on 2DayFM. This improved content line-up has led to a network-wide improvement in ratings with SCA metro radio audience a clear market leader at 5.1 million people.

The aggregation of our Digital radio stations into both the Hit and Triple M networks has grown our metro radio audience by 7.2% and enabled us to commercialise these stations with advertising for the first time since their inception. A combination of improvement in ratings and monetisation of our Digital radio stations has driven second half Metro radio revenues up 2%.

Advancements within digital audio are improving the experience for audiences with our suite of digital assets now offering personalised notifications, catch-up audio services and integration with key smart speaker platforms.

We have continued to focus on improving the monetisation of all inventory, particularly Regional Radio where we believe National advertising dollars have been under represented. This focus has been rewarded with National regional radio revenues up 15.3% and National TV revenues up 3.8%.

2018 Outlook

We expect to build on the growth seen in the second half of 2018 into the new financial year based on the improved Metro ratings performance, monetisation of digital radio and increasing demand for Regional Radio. Further deployment of technology will drive increased efficiencies within back office functions allowing us to control non-revenue related costs.

Material Risks

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

Risk	Mitigation Strategies
Decrease in the size of the free-to-air ("FTA") television market at a faster rate than forecast	The Group has seen a decline in the television market of 3.4% year on year. Although FTA television continues to deliver mass audiences and hence has a key place in media buying strategies, television markets remain challenging due to consistent audience declines. Given continuing declines and independent estimates of television industry growth rates showing further significant declines over the forecast period have led to an impairment loss of $102.9 million in the year ended 30 June 2018. For further information, refer note 9. The Group's five-year affiliation agreement with Nine commenced on 1 July 2016 in Southern NSW, Regional Victoria and Queensland. Nine programming has traditionally delivered a significantly higher audience than Ten across these territories. Following a revenue uplift in the year of transition, revenue in these markets increased by a further 5.7% in 2018 despite the decline in the television market as a whole, with the Group's market share reaching 36.9%. Part of this success is attributable to the Group's sales teams' Regional Development Program to drive incremental marketing in regional markets where there is an underinvestment in media spend on a per capita basis. The Group is a diversified business covering television, radio and online, which provides a degree of protection against individual market weaknesses. As a television affiliate the Group pays a percentage of revenue to the broadcast partners meaning television has a higher variable cost structure than our radio or online businesses, which reduces the profit impact of any potential decline in revenue.
Finding and retaining good on-air talent	Finding and retaining good on-air talent is a key to retaining and growing audience share, and the Group is committed to developing talent across its national network of radio stations. The Group maintains a risk-based (opportunity) approach to unearthing and developing new talent and has implemented "Hubble", a formal tool that assists to Discover, Document, Develop and Deploy talent at each stage of their career. The nature of the Group's regional and metro radio assets provides an opportunity for developing talent to be moved from smaller to larger markets over time. Contracts are used to lock talent in for certain periods of time. The development of successful off-air teams that help create high quality programming is also important in developing the loyalty of on-air talent to the Group.
Decline in or loss of metro audience share leading to a loss of revenue	The Group experienced a decline in metro audience share since last year, with full year market share of 27.8% compared to 29.1% in 2017. The Group has increased its focus on improving audience and commercial share through strategies such as: – Investing in and retaining talent, as described above; – Changing its music programming to attract new audiences; – Securing sporting rights, including long term agreements with the AFL and NRL; – Ongoing investment in On-Air tactics; – Developing a commercial proposition for its digital radio stations by aggregating audiences within the Hit and Triple M brands; and – Development of integrated advertising solutions that provide clients with a strong return on investment.
Failure to develop products that benefit from digital distribution and/or loses share to a competitor that successfully introduces new products	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. SCA is the number one radio group in the country with a unique digital audience of 1,080,000[1]. 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 1.6 million[2] across its branded radio apps. PodcastOne Australia is SCA's podcast network which was launched in 2017 and which SCA aims to make the pre-eminent podcasting network in Australia. PodcastOne Australia produces unique original content that is available on demand to listeners and this content is monetised through advertising. From a standing start PodcastOne achieved 40 million downloads in its first year.

1 Nielsen Digital Panel (Monthly), Figure for June 18.

2 AppAnnie: All Time Downloads.

Distributions and Dividends

Type	Cents per share	Total Amount $'m	Date of Payment
Final 2017 Ordinary	4.00	30.8	10 October 2017
Interim 2018 Ordinary	3.75	28.8	12 April 2018

Since the end of the financial year the Directors have declared the payment of a final 2018 ordinary dividend of $30.761 million (4.00 cents per fully paid share) out of Retained profits – 2013 reserve. This dividend will be paid on 9 October 2018 by the Company.

Significant Changes in State of Affairs

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

Events Occurring After Balance Date

Events occurring after balance date are outlined in note 24 "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 $335,205 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 21.

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

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

Environmental Regulation

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

Information on Directors

Chairman
Peter Bush

Appointed 25 February 2015

Most recently elected by shareholders: 29 October 2015

Board Committees: Chairman, Nomination Committee

Peter Bush had a distinguished career in executive roles spanning the media, FMCG, advertising and consumer products sectors. He also brings considerable and highly respected public company directorship experience to Southern Cross Media Group. Peter is currently Chairman of Inghams Group Limited. He has previously served on the boards of Mantra Group Ltd, Pacific Brands Ltd, Nine Entertainment Holdings, Insurance Australia Group, Miranda Wines, McDonald's Australia Limited and Lion.

Deputy Chairman
Leon Pasternak

Appointed 26 September 2005

Most recently elected by shareholders: 20 October 2016

Board Committees: Deputy Chairman

Until July 2010, Leon Pasternak 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.

CEO and
Managing Director
Grant Blackley

Appointed 29 June 2015

Most recently elected by shareholders: 29 October 2015

Grant Blackley has enjoyed an extensive 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 a Director of Commercial Radio Australia and 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 Boreham AM had a distinguished career at IBM culminating in the role of Chief Executive Officer and Managing Director, IBM Australia and New Zealand from 2006 to 2010. Glen was the inaugural Chair of Screen Australia from 2008 to 2014, and also chaired the Australian Government's Convergence Review of the media industry. He is a non-executive director of Cochlear Limited, Link Group Limited and Chair of the Advisory Board at IXUP Limited. Glen was previously Chair of the Industry Advisory Board at the University of Technology Sydney, and Chair of Advance, representing the one million Australians living overseas.

Director
Robert Murray

Appointed 1 September 2014

Most recently elected by shareholders: 24 October 2017

Board Committees: People & Culture Committee, Nomination Committee

Robert Murray has had a significant and varied 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, firstly as MD of the UK Food business and from 2000 to 2004 as CEO of Nestlé Oceania. Rob is a board member of the Bestest Foundation and is Chairman of Metcash Ltd.

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 brands and marketing, including seven years in FMCG at Procter & Gamble, followed by three years in publishing at IPC Media. Helen held a variety of senior executive roles at McDonald's Australia Limited over a period of nearly ten years, including the position of Chief Operating Officer, overseeing restaurant operations, marketing, menu, insights and research and information technology. Helen is also a non-executive director of Blackmores Ltd, Metcash Ltd and Inghams Group Ltd. She was formerly a non-executive director of Pacific Brands Ltd.

Information on Directors (continued)

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 in a number of sectors, including accounting and finance, infrastructure, property investment management and retail services (including tourism and start-up ventures). She has held non-executive director roles on the Boards of tourism and leisure operator Mantra Group, specialist lender Pepper Group and Ardent Leisure. She was CEO of NRMA Investments (and head of strategy and innovation) and CEO of a financial services start-up and director of Deutsche Bank, having previously been in corporate finance at Bankers Trust and Westpac. Melanie is currently also a non-executive director of fund manager Challenger Limited.

Information on Company Secretary

General Counsel and Company Secretary

Tony Hudson

Appointed 7 September 2015

Tony Hudson has over 20 years' experience in senior legal and governance roles. Tony was General Counsel and Company Secretary at ConnectEast from 2005 until 2015. Before that, Tony was a partner of Blake Dawson Waldron (now Ashurst Australia), working in the firm's Melbourne office and from 1993 until 2000 in its Jakarta associated office. Tony manages the Group's national legal and corporate affairs teams, including responsibility for regulatory affairs and Board governance.

Meetings of Directors

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

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

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

Held refers to the number of meetings held during the time the Director held office or was a member of the relevant committee during the year.

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

Letter from People & Culture Committee

On behalf of the Board, I am pleased to present the Company's 2018 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 and long-term incentives. The Board has decided that the fixed component of the senior leadership team's remuneration for the new financial year will be the same as in FY2018.

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

The first of these includes Group-wide and individual departmental performance measures, with the Group-wide measures operating as a gateway to any payment in this category. Financial targets relating to Group NPAT, EBITDA and sales were not achieved during the year. As a result, none of the senior leadership team received any payment for the profitability and financial performance component of the STI plan.

With some variations in individual performance, the Board was satisfied that goals relating to operational improvements and cultural and behavioural influences were substantially achieved. This resulted in the senior leadership team receiving between 50% and 60% of their total respective STI opportunities. Details of individual outcomes are provided in the Remuneration Report that follows this letter.

The Company's long-term incentive (**LTI**) plan partially vested. This was based on the Company's relative total shareholder return (**TSR**) over the three years ended on 30 June 2018 being ranked in the 71st percentile and the Company's adjusted earnings per share (**EPS**) over that period growing by a compound annual rate of 3.10%. The Board exercises discretion about the extent to which particular significant or non-recurring items will be excluded, having regard to the reasons for any particular item. The Board was satisfied that the Company's reported EPS should be adjusted for the purposes of the LTI plan to exclude the impact of the impairment recorded this year against the Company's regional television assets. The rationale for the impairment relates principally to the ongoing decline in the regional free-to-air television market, while the Company increased its share of revenue in its regional television markets.

As shareholders will recall, following a review assisted by an independent expert consultant, Juno Partners, the Board removed relative TSR as a performance condition for grants made under the LTI plan after 30 June 2017. Grants made in FY2018 and the grants to be made in FY2019 have two equally weighted performance hurdles over a three-year performance period: EPS and return on invested capital (**ROIC**).

The vesting range of cumulative annual growth rates (**CAGR**) from 3% to 8% has been retained for the EPS performance condition in the LTI grants for FY2019. Having regard to the Company's media and entertainment business, the Board considers that this vesting range remains appropriate.

The threshold for vesting of the ROIC performance condition in the LTI grants for FY2019 is 8.8%, which is the ROIC achieved by the Company in FY2018. Although this is lower than the threshold of 10.1% adopted for FY2018 LTI grants, it is based on the same principle that applied for those grants. This is that the vesting threshold for each grant should be the ROIC achieved in the immediately preceding year. This is consistent with the methodology for the EPS vesting condition and is fair to new entrants to the LTI plan each year who will be eligible to be rewarded for consistent growth in ROIC over the performance period of the LTI grant. The upper band of the vesting range for LTI grants in FY2019 is 11.2% (FY2018: 12.5%). As for the grants made in FY2018, this is 2.4 percentage points above the vesting threshold for the ROIC performance condition.

The Board's approval of this vesting range was supported by market analysis conducted by Juno Partners. That analysis indicates that maintaining ROIC performance over three years equates to median historic performance of companies in the consumer discretionary sector and reflects the current market capitalisation of the Company. Similarly, the upper vesting limit of 11.2% is an ambitious target that would be the equivalent of top quartile ROIC improvement, based on the consumer discretionary sector over the three years to FY2017.

Shareholders will recall that impairments and other significant items incurred during the life of an LTI grant will be added back to operating EBIT and Invested Capital in determining ROIC performance. This means that the impairment of $104.7 million recorded by the Company at 30 June 2018 will be reversed for the purposes of the ROIC calculation for the LTI grants made in FY2018 (to be tested in FY2020).

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

During the year, the Company carried out a gender pay analysis, which applies more broadly to ensure that all employees are remunerated fairly for the work that they do. The Company used the Mercer International Position Evaluation (**IPE**) system to evaluate roles and to compare the remuneration of individuals in similarly rated roles in the business. The Mercer IPE system considers the following factors associated with each role: impact, influence and contribution; communication and decision making; innovation; knowledge; team management; and risk.

A total of 295 roles were identified, evaluated and rated by position class, ranging from position class 67 (CEO) to position class 41 (apprentice). The remuneration of individuals in each of those roles was then compared. The analysis found that remuneration across the business is generally determined by reference to the requirements of each role and the skills and experience of individual employees. There appears to be no systemic gender bias in the Company's remuneration practices.

Pay gaps between males and females in the same role were found to be generally 12% or less. The Company's biggest pay gaps are in one role in which there is a 34% gap in favour of males and another in which there is an 18% gap in favour of females. In most cases where a pay gap exists in favour of one gender or the other, there are reasonable explanations based on location or market factors for particular roles.

Action has already been taken to address some of the identified pay gaps. Other gaps will be progressively addressed in future recruitments and in annual reviews of remuneration. When fully rolled out, the Mercer IPE system will be used to set remuneration bands for similarly rated roles to improve the consistency of remuneration practices throughout the business.

The Board has resolved not to adjust the remuneration of non-executive directors in FY2019, and will commission an independent benchmarking review during the new financial year. The Board most recently commissioned an external review in 2016.

Three of the Company's non-executive directors now hold the minimum shareholding required by the Board's policy. The remaining directors also hold significant shareholdings and will complete their required holding during the next financial year in accordance with the policy.

The PCC is confident that the Company's remuneration framework aligns with the Company's objective of delivering sustainable value for shareholders. We look forward to your feedback and to welcoming you to our 2018 Annual General Meeting.

Yours faithfully,

Helen Nash
Chairman of the People & Culture Committee

1. Overview of FY2018 remuneration

This section provides an overview of the remuneration received by executive KMP and non-executive directors in FY2018. 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).

1.1. Executive KMP

		Total remuneration		Short-term incentive opportunity		Long-term incentive eligible for vesting[1]	
Name	Year	Amount $	Performance-related proportion %	Awarded %	Forfeited %	Vested %	Forfeited %
Grant Blackley *Chief Executive Officer and Managing Director*	**2018**	**2,196,406**	**46.0**	**52.0**	**48.0**	**–**	**–**
	2017	2,221,055	48.4	87.1	12.9	–	–
Nick McKechnie *Chief Financial Officer*	**2018**	**890,599**	**36.6**	**51.0**	**49.0**	**35.93**	**64.07**
	2017	783,042	31.6	92.4	7.6	100	–
John Kelly *Chief Operating Officer*	**2018**	**844,938**	**33.3**	**50.0**	**50.0**	**–**	**–**
	2017	773,257	28.6	87.4	12.6	–	–
Brian Gallagher *Chief Sales Officer*	**2018**	**849,937**	**35.6**	**49.0**	**51.0**	**–**	**–**
	2017	759,038	29.3	73.7	26.3	–	–
Guy Dobson *Chief Creative Officer*	**2018**	**826,041**	**17.9**	**53.0**	**47.0**	**35.93**	**64.07**
	2017	785,756	18.1	58.3	41.7	–	100
Rick Lenarcic *Head of Regional Media*	**2018**	**1,103,924**	**22.9**	**55.0**	**45.0**	**35.92**	**64.07**
	2017	581,769	25.2	63.6	36.4	–	100
Creina Chapman *Head of Regulatory Affairs and Corporate Communications*	**2018**	**270,210**	**19.2**	**60.0**	**40.0**	**–**	**100**
	2017	–	–	–	–	–	–
Total executive KMP	**2018**	**6,982,055**	**34.0**	**52.0**	**48.0**	**35.93**	**64.07**
	2017	5,903,917	34.4	82.0	18.0	48.0	52.0

1 The vested and forfeited proportion of LTI entitlements relate only to those LTI entitlements that were eligible for vesting during the year.
2 Rick Lenarcic ceased employment with the Company on 22 June 2018.
3 Creina Chapman commenced employment with the Company during 2015. She became a KMP upon joining the senior leadership team on 4 October 2017. She resigned with effect from 17 May 2018. She was not a KMP during FY2017.

1.2. Non-executive directors

The aggregate remuneration of the Company's non-executive directors during the year was $1,118,438, compared to $1,167,750 in 2017. 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 2018. The STI portion is shown at target levels and the LTI portion is based on the value granted in 2018.

	Fixed remuneration	STI	LTI
Grant Blackley *Chief Executive Officer and Managing Director*	40%	30%	30%
John Kelly *Chief Operating Officer*	50%	25%	25%
Nick McKechnie *Chief Financial Officer*	50%	25%	25%
Brian Gallagher *Chief Sales Officer*	50%	25%	25%
Guy Dobson *Chief Creative Officer*	76%	12%	12%
Rick Lenarcic *Head of Regional Media*	50%	25%	25%
Creina Chapman *Head of Regulatory Affairs and Corporate Communications*	60%	20%	20%

2.2 Fixed remuneration for executive KMP

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

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

2.3 Variable remuneration for executive KMP

2.3.1 Short-term incentives

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

What is the incentive?	The STI is an annual "at risk" bonus designed to reward executives for meeting or exceeding financial and non-financial objectives.
How is each executive's entitlement determined?	Each executive is allocated a dollar value (which may be a fixed percentage of the executive's total remuneration) representing the executive's STI opportunity for the year.
How is the incentive delivered?	STI awards for all executives other than the CEO are paid in cash according to the extent of achievement of the applicable performance measures. No portion of an STI award is subject to deferral. The CEO's STI award is payable partly in cash and partly in equity. The equity component is 25% of the after-tax value of the total STI award.
What are the performance measures and hurdles?	The Board sets the annual KPIs for the CEO near the beginning of each financial year. The KPIs are allocated to three categories having regard to the Company's business strategy: profitability and financial performance (40%), high level operational improvements (40%) and cultural and behavioural influences (20%). The CEO determines the KPIs for the other members of the senior leadership team in the same three categories and having regard to their areas of responsibility. KPIs for the Chief Creative Officer may allocate up to 40% to creative and content performance instead of profitability and financial performance. The metrics that applied under the STI plan in 2018 are summarised below. **Profitability and financial performance/Creative and content performance (40%)** – **Group NPAT compared with budget:** Focuses on financial results and collaboration for the overall benefit of the Group. This financial metric applies for the CEO, CFO and COO. – **Segment EBITDA compared with budget:** Focuses on the performance of segments for which they have direct responsibility. This metric applies for the Head of Regional Media. – **Sales-related targets:** Focuses on achieving sustainable financial performance from growing top line revenue. This metric applies for the Chief Sales Officer. – **Ratings targets:** Revenue and financial performance is heavily dependent on ratings on both radio and television. This metric applies for the Chief Creative Officer (for radio). Profitability and financial performance targets also include targets to ensure non-revenue related costs are closely controlled and to achieve specific corporate strategy projects that improve the asset base. The Board has discretion to adjust budget targets to take into account acquisitions or divestments or other significant items where appropriate for linking remuneration reward to corporate performance. Achievements against financial metrics are based on the Company's audited annual financial statements. The Board has discretion to make adjustments to take into account any significant non-cash items (for example impairment losses), acquisitions and divestments and one-off events/abnormal/non-recurring items, where appropriate for linking remuneration reward to corporate performance. **High level operational performance (40%)** – **Strategy:** Focuses on strategic initiatives (such as network strategy, material contracts and diversification of revenue streams) that deliver growth, improved business performance and shareholder value. – **Operational improvements:** Focuses on effective management of business support functions and infrastructure to sustain and improve long-term earnings performance. **Cultural and behavioural influences (20%)** – **People:** Focuses on maintaining a strong and positive corporate culture, effective leadership and development and retention of talent to sustain and improve long-term earnings performance. – **External relationships:** Focuses on development and maintenance of constructive relationships with key stakeholders to sustain and improve long-term earnings performance.
Is there a gateway?	At least 95% of an executive's financial metrics relating to NPAT or EBITDA must be achieved before any STI is payable under the profitability and financial performance (40%) component of the STI plan. Similarly, at least 97.5% of an executive's financial metrics for sales or costs must be achieved before any STI is payable under the profitability and financial performance (40%) component of the STI plan. 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 components of the STI plan. Individual performance must be at a "meets expectations" level before any STI is payable.

What is the maximum amount payable?

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

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

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

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

How is performance assessed?

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

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

Cessation of employment

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

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

Change of control

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

Clawback

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

Other features

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

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

2.3.2 Long-term incentives

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

What is the incentive?

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

How is each executive's entitlement determined?

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

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

For LTI grants made before 1 July 2017, the dollar value is based on the fair value of performance rights at the applicable grant date. For those grants, the Company engaged Deloitte Touche Tohmatsu (**Deloitte**) to determine the fair value of the performance rights. In accordance with the applicable accounting standards, AASB 2 "Share-based Payment" and AASB 124 "Related Party Disclosures", Deloitte used a Monte Carlo simulation model for the Relative TSR performance rights and a Black-Scholes-Merton model for the Absolute EPS performance rights.

How is the incentive delivered?

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

What are the performance measures and hurdles?

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

Return on Invested Capital Performance hurdle

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

ROIC is calculated as follows:

$$\frac{\text{Operating earnings before interest and tax (}\textbf{EBIT}\text{)}}{\text{Invested Capital (Net Debt plus Equity)}}$$

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 FY2019 are eligible to vest according to the following schedule:

ROIC Performance in FY2021	% of allocation that vests
Below 8.8%	Nil
8.8%	50%
8.8% to 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% to 8% CAGR	Straight-line vesting between 50% and 100%
At or above 8% CAGR	100%

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

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

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

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

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

Is there a gateway?

The ROIC Performance hurdle will be achieved only if the Company's adjusted ROIC performance in the final year of the performance period is at or above a threshold set by the Board at the time of making the relevant LTI grant. The ROIC Performance hurdle for grants made in FY2019 will be achieved if the Company's adjusted ROIC performance in FY2021 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.

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

What is the maximum amount payable?

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

How is performance assessed?

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

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

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

Cessation of employment

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

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

Change of control

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

Clawback

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

Other features

Treatment of dividends: There are no dividends payable to participants on unvested performance rights. Once performance rights have vested to fully paid ordinary shares, the participant will be entitled to dividends on these shares.

Sourcing of shares: The Board has discretion to purchase shares on-market or to issue new shares in respect of vested performance rights.

Retention of shares: The rules of the LTI plan do not require participants to retain any shares allocated to them upon vesting of performance rights. However, the Company's Senior Executive Shareholding Plan requires Executive KMP to retain 25% of the shares allocated to them upon vesting of performance rights while they remain 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 2018 $'000	30 June 2017 $'000	30 June 2016 $'000	30 June 2015 $'000	30 June 2014 $'000
Revenue	**653,007**	687,244	639,555	611,120	640,834
EBITA	**154,662**	177,393	167,722	163,262	179,705
EBITDA %	***23.7%***	*25.8%*	*26.2%*	*26.7%*	*28.0%*
Net profit before tax	**4,433**	127,738	114,177	(265,216)	(279,577)
Net profit after tax ("NPAT")	**1,422**	108,563	77,243	(284,950)	(296,008)
NPAT %	***0.22%***	*15.8%*	*12.0%*	*(46.6%)*	*(46.2%)*
Net profit after tax excluding significant items	**75,271**	108,563	77,243	64,783	79,629
NPAT % excluding significant items	***11.5%***	*15.8%*	*12.0%*	*10.6%*	*12.4%*
EPS (cents)[1]	**9.79**	12.20	10.12	8.93	11.29
ROIC[2]	**8.8%**	10.1%	9.1%	n/a	n/a
	30 June 2018	**30 June 2017**	**30 June 2016**	**30 June 2015**	**30 June 2014**
Opening share price	**$1.25**	$1.25	$0.97	$1.07	$1.43
Closing share price	**$1.31**	$1.25	$1.25	$0.97	$1.07
Dividend/Distribution	**7.75c**	7.25c	6.25c	6.0c	7.5c

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 outline in section 2.3.2. It has not been calculated for periods prior to the introduction of the scheme in 2016.

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 (12 weeks' notice in the case of Rick Lenarcic). 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

During 2017, the Board's People & Culture Committee (**PCC**) engaged Juno Partners as an independent expert consultant to review the Company's LTI plan. This review included recommendations about the performance conditions and vesting range for grants made under the LTI plan. During 2018, management engaged Juno Partners to prepare analysis to inform the PCC's and Board's deliberations in relation to setting the ROIC and EPS performance conditions and vesting range for grants to be made under the LTI plan in FY2019. Juno Partners was paid $26,792 for its services in 2018.

Deloitte was engaged during the year to assess the performance of the Company's LTI plans as at each vesting date and, for this purpose, to determine the Group's TSR ranking within the comparator group and EPS growth over the applicable performance periods. Deloitte was paid $9,450 for these services.

During 2016, the PCC engaged KPMG to provide an independent report benchmarking the remuneration of the Company's executive KMP and its non-executive directors. The remuneration of the Company's executive KMP and non-executive directors was adjusted following consideration of that benchmarking report. The PCC did not seek benchmarking advice during 2017 or 2018 but intends to do so in 2019.

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 Chairman and the Deputy Chairman 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 2017 and 2018 and those that will apply in 2019.

	2017 $	2018 $	2019 $
Base fees – Annual			
Chairman[1]	265,000	**273,000**	273,000
Deputy Chairman[1]	171,000	**176,000**	176,000
Other Non-Executive Directors	132,500	**136,500**	136,500
Committee fees – Annual			
Audit & Risk Committee – Chairman	22,500	**23,000**	23,000
Audit & Risk Committee – member	15,000	**15,500**	15,500
People & Culture Committee – Chairman[1]	16,000	**16,500**	16,500
People & Culture Committee – member	10,500	**11,000**	11,000
Nomination Committee – Chairman[1]	16,000	**16,500**	16,500
Nomination Committee – member	10,500	**11,000**	11,000

1 The Chairman and Deputy Chairman 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 2017 or 2018 and will not be paid during 2019. The fees set out above for Chair of the People & Culture Committee were not paid during 2017, but have been paid since Helen Nash replaced Leon Pasternak as Chair of that Committee from 1 November 2017.

3. Remuneration of executive KMP and directors during the year

3.1 Executive KMP

The table below sets out the nature and amount of each major element of the remuneration of each executive KMP in 2018 and 2017.

		Short-term employee benefits				Post-employment	Long Service Leave[1]	Termination benefits	Share-based payments	Total	Performance-related proportion
Executive	Year	Salary and fees $	STI cash bonus[2] $	Non-monetary $	Total $	Super contribution $	$	$	Performance rights[3] $	$	%
Grant Blackley	**2018**	**1,143,627**	**405,000**	**4,428**	**1,553,055**	**20,049**	**18,429**	**–**	**604,873**	**2,196,406**	**46.0**
Chief Executive Officer and Managing Director	2017	1,121,884	705,240	4,315	1,831,439	19,616	–	–	370,000	2,221,055	48.4
Nick McKechnie	**2018**	**523,107**	**140,140**	**2,799**	**666,046**	**20,049**	**18,344**	**–**	**186,160**	**890,599**	**36.6**
Chief Financial Officer	2017	512,384	163,548	3,494	679,426	19,616	–	–	84,000	783,042	31.6
John Kelly	**2018**	**539,440**	**140,600**	**4,428**	**684,468**	**20,049**	**–**	**–**	**140,421**	**844,938**	**33.3**
Chief Operating Officer	2017	528,384	159,942	4,315	692,641	19,616	–	–	61,000	773,257	28.6
Brian Gallagher	**2018**	**523,106**	**132,860**	**4,428**	**660,394**	**20,049**	**–**	**–**	**169,494**	**849,937**	**35.6**
Chief Sales Officer	2017	512,384	130,390	4,315	647,089	19,616	–	–	92,333	759,038	29.3
Guy Dobson	**2018**	**633,530**	**53,333**	**4,428**	**691,291**	**20,049**	**19,770**	**–**	**94,931**	**826,041**	**17.9**
Chief Creative Officer	2017	633,530	58,333	4,315	696,178	19,616	11,629	–	58,333	785,756	18.1
Rick Lenarcic[4]	**2018**	**389,624**	**115,500**	**11,963**	**517,087**	**20,049**	**–**	**429,100**	**137,688**	**1,103,924**	**22.9**
Head of Regional Media	2017	389,384	79,200	25,043	493,627	19,616	1,026	–	67,500	581,769	25.2
Creina Chapman[5]	**2018**	**200,531**	**51,900**	**2,798**	**255,229**	**14,981**	**–**	**–**	**–**	**270,210**	**19.2**
Head of Regulatory Affairs and Corporate Communications	2017	–	–	–	–	–	–	–	–	–	–
Total executive KMP	**2018**	**3,952,965**	**1,039,333**	**35,272**	**5,027,570**	**135,275**	**56,543**	**429,100**	**1,333,567**	**6,982,055**	**34.0**
	2017	3,697,950	1,296,653	45,797	5,040,400	117,696	12,655	–	733,166	5,903,917	34.4

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 on page 47. The amount was finally determined by the Board on 22 August 2018 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 on page 48. The value disclosed is the portion of the face value of the rights recognised as an expense in each reporting period.
4 Rick Lenarcic ceased employment with effect from 22 June 2018.
5 Creina Chapman resigned with effect from 17 May 2018. Her former position of Head of Regulatory Affairs and Corporate Communications has not been replaced. She was not an executive KMP in 2017.

3.2 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 2018 and 2017.

		Short-term employee benefits			Post-employment	Total
Non-executive director[1]	**Year**	**Salary and fees $**	**Non-monetary $**	**Total $**	**Super contribution $**	**$**
Peter Bush	**2018**	**252,951**	**–**	**252,951**	**20,049**	**273,000**
Chairman	2017	245,384	–	245,384	19,616	265,000
Leon Pasternak	**2018**	**160,732**	**–**	**160,732**	**15,268**	**176,000**
Deputy Chairman	2017	156,164	–	156,164	14,836	171,000
Peter Harvie[1]	**2018**	**–**	**–**	**–**	**–**	**–**
Non-executive director	2017	97,944	–	97,944	9,306	107,250
Glen Boreham	**2018**	**145,510**	**–**	**145,510**	**13,823**	**159,333**
Non-executive director	2017	134,704	–	134,704	12,796	147,500
Rob Murray	**2018**	**148,186**	**–**	**148,186**	**13,752**	**161,938**
Non-executive director	2017	140,184	–	140,184	13,316	153,500
Helen Nash	**2018**	**162,253**	**–**	**162,253**	**15,414**	**177,667**
Non-executive director	2017	144,292	–	144,292	13,708	158,000
Melanie Willis	**2018**	**155,708**	**–**	**155,708**	**14,792**	**170,500**
Non-executive director	2017	151,140	–	151,140	14,360	165,500
TOTAL	**2018**	**1,025,340**	**–**	**1,025,340**	**93,098**	**1,118,438**
	2017	1,069,812	–	1,069,812	97,938	1,167,750

1 Peter Harvie resigned on 28 March 2017. His remuneration is only disclosed for the time he was a non-executive director.

4. Analysis of short-term incentives included in remuneration

4.1 STI performance outcomes

The table below summaries the KPIs applicable for each KMP for FY2018 and the performance achieved.

	Profitability and financial performance		High level operational improvements		Cultural and behavioural influences	
	40%		40%		20%	
KMP	**Measure**	**Performance**	**Measure**	**Performance**	**Measure**	**Performance**
Grant Blackley	Group NPAT Group costs	Not Achieved Achieved 0% awarded because of failure of NPAT target	Deliver corporate strategy, including PodcastOne, Quik Entertainment, technology investment and digital radio brand roll-out.	32% achieved	Lead action plans from culture audit; enhance reputation with investors, financiers and other influencers; develop succession plan including to monitor diversity.	20% achieved
Nick McKechnie	Group NPAT Group costs	Not achieved Achieved 0% awarded because of failure of NPAT target	Effective capital deployment to realise investment benefits; refinance senior debt on optimal terms.	31% achieved	Lead action plans from culture audit; enhance reputation with investors, financiers and other influencers; develop succession plan including to monitor diversity.	20% achieved
John Kelly	Group NPAT Non-revenue related costs	Not achieved Achieved 0% awarded because of failure of NPAT target	Lead implementation of corporate strategy; develop PodcastOne and Quik Entertainment; lead projects to improve audience audio experience.	30% achieved	Effectively communicate corporate strategy in the business; lead action plans from culture audit; develop succession plan including to monitor diversity.	20% achieved
Brian Gallagher	Group EBITDA Group revenue Sales dept costs	Not achieved Not achieved Achieved 0% awarded because of failure of EBITDA target	Regional media growth strategy; Metro radio power ratio; digital radio strategy; monetise sporting rights.	32% achieved	Effectively communicate corporate strategy in the business; lead action plans from culture audit; develop succession plan including to monitor diversity.	17% achieved
Guy Dobson	Group EBITDA Metro radio costs	Not achieved Achieved 0% awarded because of failure of EBITDA target	2DayFM breakfast performance; grow Triple M male 25-54 audience; grow podcast and app usage; growth in digital radio audience.	33% achieved	Effectively communicate corporate strategy in the business; lead action plans from culture audit; develop succession plan including to monitor diversity.	20% achieved
Rick Lenarcic	Group EBITDA Regional sales budget Non-revenue regional costs	Not achieved Not achieved Achieved 0% awarded because of failure of EBITDA target	Regional radio and TV revenue growth; improve efficiency through technology investment; mentor and develop direct reports.	40% achieved	Effectively communicate corporate strategy in the business; lead action plans from culture audit.	15% achieved
Creina Chapman[1]	Group EBITDA Media reform package	Not achieved Achieved 0% awarded because of failure of EBITDA target.	Representation on industry and regulatory bodies; promote PodcastOne; media communications; strategies for improved audience audio experience.	40% achieved	Effectively communicate corporate strategy in the business; lead action plans from culture audit.	20% achieved

1 Although Creina Chapman resigned with effect from 17 May 2018 and was liable to forfeit any STI entitlement, the Board exercised its discretion to approve payment of her STI bonus. This reflected her contributions during the year and the cooperative circumstances under which she had given notice and agreed to an earlier departure date.

4.2 Vesting of STI awards

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

KMP $	Short-term incentive bonus				
		% achieved in year			
	Included in remuneration[1]	Profitability and financial performance[4]	High level operational improvements	Cultural and behavioural influences	% forfeited in year[2]
Grant Blackley	405,000	0%	32%	20%	48%
Nick McKechnie	140,140	0%	31%	20%	49%
John Kelly	140,600	0%	30%	20%	50%
Brian Gallagher	132,860	0%	32%	17%	51%
Guy Dobson[3]	53,333	0%	33%	20%	47%
Rick Lenarcic	115,500	0%	40%	15%	45%
Creina Chapman[5]	51,900	0%	40%	20%	40%

1 Amounts included in remuneration for the year represent the amounts related to the year based on achievement of corporate and personal goals for each executive. These amounts were approved by the Board on 22 August 2018.
2 The amounts forfeited are due to corporate and personal goals not being achieved in the year.
3 The first performance measure was based on Creative and Content performance for Guy Dobson.
4 Because budget targets were not achieved, the Board did not award any of the stretch opportunity of up to 105% available for the profitability and financial performance component of the STI plan.
5 Despite Creina Chapman resigning before the end of the financial year, the Board exercised its discretion to approve payment of her STI bonus for 2018. This reflected her contributions during the year and the cooperative circumstances under which she had given notice and agreed to an earlier departure date.

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. (Creina Chapman was not an executive KMP at the time of the grant of rights to her.)

KMP	Number of rights granted
Grant Blackley	660,993
Nick McKechnie	217,149
John Kelly	223,513
Brian Gallagher	217,149
Guy Dobson	79,542
Rick Lenarcic	167,038
Creina Chapman	56,475

Details for all rights granted in financial year

	Relative TSR	Absolute EPS
Grant Date	15 September 2017	15 September 2017
Face value at grant date	$1.2572	$1.2572
Vesting date	30 June 2020	30 June 2020

All rights expire on the earlier of their vesting date or termination of the executive's employment on a pro-rata basis. The rights vest at the end of the third financial year after their grant. This is 30 June 2020 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 on page 49.

5.2 Details of equity incentives affecting current and future remuneration

The table below sets out the vesting profiles of rights held by each KMP as at 30 June 2018 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[4]	Forfeited %[2]	No. of Perf Rights Remaining at Year End	Value of Perf Rights yet to Vest $
Grant Blackley	FY18 Plan	01/07/2020	660,993	831,000	–	–	–	–	660,993	831,000
	FY17 Plan	01/07/2019	764,151	810,000	–	–	–	–	764,151	810,000
	FY16 Plan	01/07/2018	491,803	300,000	–	–	–	–	491,803	300,000
	Total		**1,916,947**	**1,941,000**	**–**	**–**	**–**	**–**	**1,916,947**	**1,941,000**
Nick McKechnie	FY18 Plan	01/07/2020	217,149	273,000	–	–	–	–	217,149	273,000
	FY17 Plan	01/07/2019	166,981	177,000	–	–	–	–	166,981	177,000
	FY16 Plan	01/07/2018	245,902	150,000	–	–	–	–	245,902	150,000
	FY15 Plan	01/07/2017	192,704	150,000	69,231	35.93%	123,473	64.07%	–	–
	Total		**822,736**	**750,000**	**69,231**	**35.93%**	**123,473**	**64.07%**	**630,032**	**600,000**
John Kelly	FY18 Plan	01/07/2020	223,513	281,000	–	–	–	–	223,513	281,000
	FY17 Plan	01/07/2019	172,642	183,000	–	–	–	–	172,642	183,000
	Total		**396,155**	**464,000**	**–**	**–**	**–**	**–**	**396,155**	**464,000**
Brian Gallagher	FY18 Plan	01/07/2020	217,149	273,000	–	–	–	–	217,149	273,000
	FY17 Plan	01/07/2019	166,981	177,000	–	–	–	–	166,981	177,000
	FY16 Plan	01/07/2018	163,934	100,000	–	–	–	–	163,934	100,000
	Total		**548,064**	**550,000**	**–**	**–**	**–**	**–**	**548,064**	**550,000**
Guy Dobson	FY18 Plan	01/07/2020	79,542	100,000	–	–	–	–	79,542	100,000
	FY17 Plan	01/07/2019	94,340	100,000	–	–	–	–	94,340	100,000
	FY16 Plan	01/07/2018	163,934	100,000	–	–	–	–	163,934	100,000
	FY15 Plan	01/07/2017	128,469	100,000	46,154	35.93%	82,315	64.07%	–	–
	FY14 Plan	01/07/2017	32,359	33,330	–	–	32,359	100.0%	–	–
	Total		**498,644**	**433,330**	**46,154**	**35.9%**	**114,674**	**64.1%**	**337,816**	**300,000**
Rick Lenarcic	FY18 Plan	01/07/2020	167,038	210,000	–	–	108,056	64.69%	58,982	74,152
	FY17 Plan	01/07/2019	127,358	135,000	–	–	39,894	31.32%	87,464	92,712
	FY16 Plan	01/07/2018	163,934	100,000	–	–	–	–	163,934	100,000
	FY15 Plan	01/07/2017	128,469	100,000	46,154	35.93	82,315	64.07%	–	–
	FY14 Plan	01/07/2017	22,651	23,333	–	–	22,651	100.0%	–	–
	Total		**609,450**	**568,333**	**46,154**	**35.93%**	**252,916**	**64.07%**	**310,380**	**266,864**
Creina Chapman[3]	FY18 Plan	01/07/2020	56,475	71,000	–	–	56,475	100.0%	–	–
	FY17 Plan	01/07/2019	65,094	69,000	–	–	65,094	100.0%	–	–
	Total		**121,569**	**140,000**	–	–	**121,569**	**100.0%**	**–**	**–**

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

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

3 Creina Chapman resigned with effect from 31 May 2018. All of her unvested rights were forfeited at that date.

5.3 Vesting of rights during the year (as at 1 July 2017)

Performance rights granted under Tranche 4 of the FY2014 plan were tested in August 2017, following approval of the Company's financial report for the year ended 30 June 2017. The only performance condition for these rights was the Company's relative TSR performance against companies in the comparator group over the performance period. The Company received a report from its independent consultant, Deloitte, showing that the Company's TSR performance ranked in the 35th percentile over the performance period. This was below the 50th percentile vesting gateway and, as a result, none of these rights vested.

Performance rights granted under the FY2015 plan were also tested in August 2017, following approval of the Company's financial report for the year ended 30 June 2017. 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 EPS grew at a CAGR of 2.6%, which was below the vesting gateway of 3%. These outcomes are shown below.

FY2015 LTI plan	TSR percentile ranking/EPS CAGR	% vested	50% weighting
Relative TSR performance	56th percentile	60%	35.93[1]%
Absolute EPS performance	2.6%	0%	0%
Total			**35.93%**

1 Based on the fair value at the grant date of these performance rights, the fair value of the relative TSR rights was greater than the fair value of the absolute EPS performance rights.

5.4 Vesting of rights as at 1 July 2018

Performance rights granted under the FY2016 plan were tested in August 2018, following approval of the Company's financial report for the year ended 30 June 2018. There were two equally-weighted performance conditions for these rights: the Company's relative TSR performance against companies in the comparator group over the performance period and the Company's EPS performance over the performance period. A report provided by Deloitte confirmed that the Company's relative TSR performance exceeded the 50th percentile vesting gateway, resulting in partial vesting. The Company's adjusted EPS grew at a CAGR of 3.10% (from 8.93 cents in FY2015 to 9.79 cents in FY2018) over the performance period, which was above the vesting gateway of 3%. These outcomes are shown below.

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

FY2016 LTI plan	TSR percentile ranking/EPS CAGR	% vested	50% weighting
Relative TSR performance	71st percentile	92%	46%
Absolute EPS performance	3.10%	51%	25.5%
Total			**71.5%**

6. Payments to executives before taking office

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

7. Transactions with KMP

7.1 Loans to KMP

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

7.2 Other transactions and balances with KMP

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

8. KMP shareholdings

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

	Balance at start of year	Received during the year on exercise of performance rights	Other changes during the year	Balance at end of year
Non-executive directors				
Peter Bush	60,000	–	70,000	130,000
Leon Pasternak	1,185,215	–	–	1,185,215
Glen Boreham	95,000	–	28,500	123,500
Rob Murray	50,000	–	37,248	87,248
Helen Nash	52,573	–	45,751	98,324
Melanie Willis	34,670	–	60,000	94,670
	1,477,458		241,499	1,718,957
Executives				
Grant Blackley	–	–	71,700	71,700
Nick McKechnie	76,378	69,231	(35,000)	110,609
John Kelly	–	–	–	–
Brian Gallagher	–		–	–
Guy Dobson	–	46,154	–	46,154
Rick Lenarcic[1]	–	46,154	–	46,154
	76,378	161,539	36,700	274,617

1 Rick Lenarcic's holdings shown as at the date of cessation of employment on 22 June 2018.

A copy of the Auditor's Independence Declaration, as required under s307C of the Corporations Act 2001, is set out on page 61.

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

Peter Bush
Chairman
Southern Cross Media Group Limited
Sydney, Australia
23 August 2018

Leon Pasternak
Deputy Chairman
Southern Cross Media Group Limited
Sydney, Australia
23 August 2018

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Southern Cross Media Group Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Sam Lobley
Partner
PricewaterhouseCoopers

Melbourne
23 August 2018

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

STATEMENT OF COMPREHENSIVE INCOME

FOR YEAR ENDED 30 JUNE 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Revenue from continuing operations	3	**653,007**	687,244
Broadcast and production costs		**(126,393)**	(131,394)
Employee expenses		**(202,243)**	(200,514)
Selling costs		**(78,955)**	(83,034)
Occupancy costs		**(27,533)**	(31,702)
Promotions and marketing		**(18,455)**	(19,584)
Administration costs		**(46,987)**	(47,692)
Other Income	5	**1,069**	3,559
Share of net profit/(losses) of investments accounted for using the equity method	18	**1,152**	510
Profit before depreciation, amortisation, interest, impairment, fair value movements on financial derivatives and income tax expenses for the year from continuing operations		**154,662**	177,393
Depreciation and amortisation expense		**(30,718)**	(30,870)
Impairment of intangibles and investments	4	**(104,708)**	–
Interest expense and other borrowing costs	16	**(15,609)**	(19,510)
Interest revenue		**806**	725
Profit before income tax expense for the year from continuing operations		**4,433**	127,738
Income tax expense from continuing operations	6	**(3,011)**	(19,175)
Profit from continuing operations after income tax expense for the year		**1,422**	108,563
Other comprehensive income that may be reclassified to profit or loss:			
Changes to fair value of cash flow hedges, net of tax		**826**	472
Total comprehensive profit for the year attributable to shareholders		**2,248**	109,035
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	14	**0.19**	14.12
Diluted earnings per share (cents)	14	**0.19**	14.07

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Current assets			
Cash and cash equivalents		**56,052**	48,978
Receivables	11	**136,714**	158,010
Total current assets		**192,766**	206,988
Non-current assets			
Receivables	11	**1,617**	2,964
Investments accounted for using the equity method	18	**7,740**	5,167
Property, plant and equipment	7	**130,607**	136,178
Intangible assets	8	**1,144,744**	1,248,955
Total non-current assets		**1,284,708**	1,393,264
Total assets		**1,477,474**	1,600,252
Current liabilities			
Payables	11	**66,640**	81,042
Deferred income	11	**8,553**	9,477
Provisions	11	**18,138**	19,730
Borrowings	16	**19**	86
Current tax liabilities		**2,476**	3,942
Derivative financial instruments	17	**–**	1,651
Total current liabilities		**95,826**	115,928
Non-current liabilities			
Deferred income	11	**88,609**	91,945
Provisions	11	**7,966**	10,134
Borrowings	16	**357,601**	368,762
Deferred tax liability	6	**331,492**	361,438
Derivative financial instruments	17	**1,419**	948
Total non-current liabilities		**787,087**	833,227
Total liabilities		**882,913**	949,155
Net assets		**594,561**	651,097
Equity			
Contributed equity	15	**1,379,736**	1,379,736
Reserves		**5,601**	3,851
Other equity transaction	15	**(77,406)**	(77,406)
Accumulated losses		**(713,668)**	(655,382)
Equity attributable to equity holders		**594,263**	650,799
Non-controlling interest		**298**	298
Total equity		**594,561**	651,097

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

STATEMENT OF CHANGES IN EQUITY

FOR YEAR ENDED 30 JUNE 2018

2018	Contributed equity $'000	Share-based payment reserve $'000	Hedge reserve $'000	Other equity transactions $'000	(Accumulated losses)/ retained profits $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Total equity at 1 July 2017	**1,379,736**	**5,671**	**(1,820)**	**(77,406)**	**(655,382)**	**650,799**	**298**	**651,097**
Profit for the year	**–**	**–**	**–**	**–**	**1,422**	**1,422**	**–**	**1,422**
Other comprehensive income	**–**	**–**	**826**	**–**	**–**	**826**	**–**	**826**
Total comprehensive income	**–**	**–**	**826**	**–**	**1,422**	**2,248**	**–**	**2,248**
Transactions with equity holders in their capacity as equity holders:								
Employee share entitlements	**–**	**1,102**	**–**	**–**	**–**	**1,102**	**–**	**1,102**
Payments on maturity of Long Term Incentive Plan	**–**	**(178)**	**–**	**–**	**(109)**	**(287)**	**–**	**(287)**
Dividends paid	**–**	**–**	**–**	**–**	**(59,599)**	**(59,599)**	**–**	**(59,599)**
	–	**924**	**–**	**–**	**(59,708)**	**(58,784)**	**–**	**(58,784)**
Total equity at 30 June 2018	**1,379,736**	**6,595**	**(994)**	**(77,406)**	**(713,668)**	**594,263**	**298**	**594,561**

2017	Contributed equity $'000	Share-based payment reserve $'000	Hedge reserve $'000	Other equity transactions $'000	(Accumulated losses)/ retained profits $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Total equity at 1 July 2016	1,379,386	4,754	(2,292)	(77,406)	(708,192)	596,250	298	596,548
Profit for the year	–	–	–	–	108,563	108,563	–	108,563
Other comprehensive income	–	–	472	–	–	472	–	472
Total comprehensive income	–	–	472	–	108,563	109,035	–	109,035
Transactions with equity holders in their capacity as equity holders:								
Employee share entitlements	–	917	–	–	–	917	–	917
Shares issued, net of transaction costs	350	–	–	–	–	350	–	350
Dividends paid	–	–	–	–	(55,753)	(55,753)	–	(55,753)
	350	917	–	–	(55,753)	(54,486)	–	(54,486)
Total equity at 30 June 2017	1,379,736	5,671	(1,820)	(77,406)	(655,382)	650,799	298	651,097

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

STATEMENT OF CASH FLOWS

FOR YEAR ENDED 30 JUNE 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Cash flows from operating activities			
Receipts from customers		**720,825**	741,340
Payments to suppliers and employees		**(574,967)**	(589,401)
Interest received from external parties		**806**	725
Tax paid		**(34,777)**	(36,423)
Net cash inflows from operating activities	10	**111,887**	116,241
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		**(24,828)**	(30,086)
Payments for purchase of intangibles		**(116)**	(7,196)
Proceeds from sale of property, plant and equipment		**1,144**	1,088
Proceeds from sale of operations and assets		**11,069**	53,817
Payments for purchase of investments		**(1,729)**	(1,000)
Net cash flows used in investing activities		**(14,460)**	16,623
Cash flows from financing activities			
Dividends paid to security holders		**(59,599)**	(55,753)
Net repayment of receivables financing facility		**–**	(36,801)
Payments for debt financing		**(1,828)**	–
Repayment of borrowings from external parties		**(10,000)**	(65,000)
Interest paid to external parties		**(18,717)**	(20,937)
Payments for finance leases		**(209)**	(171)
Net cash flows used in financing activities		**(90,353)**	(178,662)
Net increase/(decrease) in cash and cash equivalents		**7,074**	(45,798)
Cash assets at the beginning of the year		**48,978**	94,776
Cash assets at the end of the year		**56,052**	48,978

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

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED 30 JUNE 2018

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

Key Numbers

1. Summary of Significant Accounting Policies

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

Basis of preparation

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

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

i) Compliance with IFRS

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

ii) Historical cost convention

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

iii) Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2018 and the results of all subsidiaries for the year then ended. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The effects of all transactions between entities in the Group are eliminated in full.

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

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

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

Rounding of amounts

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

Critical accounting estimates and judgements

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

Note 8 Non-Current Assets – Intangible Assets

Note 9 Impairment

Notes to the financial statements

Notes relating to individual line items in the financial statements now include accounting policy information where it is considered relevant to an understanding of these items, as well as information about critical accounting estimates and judgements. Details of the impact of new accounting policies and all other accounting policy information are disclosed at the end of the financial report in note 26.

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.

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

	Metro		Regional		Corporate		Consolidated	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Segment Revenue	**242,707**	247,163	**392,325**	417,890	**17,975**	22,191	**653,007**	687,244
EBITDA/Segment Result	**57,714**	60,070	**114,607**	125,857	**(17,659)**	(8,534)	**154,662**	177,393
EBITDA % of Revenue	**23.8%**	24.3%	**29.2%**	30.1%	**(98.2)%**	(38.5%)	**23.7%**	25.8%
Impairment of intangibles and investments	**–**	–	**(104,708)**	–	**–**	–	**(104,708)**	–
Depreciation and Amortisation	**(6,560)**	(6,515)	**(14,230)**	(14,213)	**(9,928)**	(10,142)	**(30,718)**	(30,870)
Statutory EBIT/Segment Result	**51,154**	53,555	**(4,331)**	111,644	**(27,587)**	(18,676)	**19,236**	146,523
Financing costs	**–**	–	**–**	–	**–**	–	**(14,803)**	(18,785)
Income tax expense	**–**	–	**–**	–	**–**	–	**(3,011)**	(19,175)
(Loss)/Profit for the year attributable to shareholders	**–**	–	**–**	–	**–**	–	**1,422**	108,563

3. Revenue

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

	Consolidated	
	2018 $'000	2017 $'000
Revenue from continuing operations		
Sales revenue	**649,145**	681,283
Rental revenue	**3,862**	5,961
Total revenue from continuing operations	**653,007**	687,244

Recognition and Measurement

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

Sales revenue

Revenue represents revenue earned primarily from the sale of television, radio and digital advertising airtime and related activities, including sponsorship and promotions. Revenue is recorded when the service is provided, being primarily when the advertisement is aired. Commissions payable to media agencies are recognised as selling costs. Other regular sources of operating revenue are derived from commercial production for advertisers, including facility sharing revenue and program sharing revenue. Revenue from commercial production is recognised on invoice, at the time of completion of the commercial.

4. Significant Items

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

	2018 $'000	2017 $'000
Impairment of intangibles and investments (refer notes 8, 9 and 11)	**(104,708)**	–
Derecognition of deferred tax liability on impairment (refer note 6)	**30,859**	–
Total significant items included in net loss after tax	**(73,849)**	–

5. Other Income

	Consolidated	
	2018 $'000	2017 $'000
Net gain from disposal of operations and assets	1,069	3,559
Total other income	**1,069**	3,559

	2018 $'000	2017 $'000
Net assets disposed	(939)	(59,568)
Gross cash consideration	2,008	53,007
Gross deferred consideration	–	10,120
Net gain from disposal of operations and assets before tax	**1,069**	3,559

In 2017 the Group completed the sale of its Northern NSW television operation to the WIN Television Network and the sale of 45 transmission sites to Axicom Pty Ltd.

6. Income Tax Expense

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

	Consolidated	
	2018 $'000	2017 $'000
Income tax expense		
Current tax		
Current tax on profits for the year	31,282	36,207
Adjustments for current tax of prior periods	2,029	(4,590)
Total current tax expense	**33,311**	31,617
Deferred income tax		
Decrease in net deferred tax assets	(28,030)	(12,171)
Adjustments for deferred tax of prior periods	(2,270)	(271)
Total deferred tax expense	**(30,300)**	(12,442)
Reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	4,433	127,738
Tax at the Australian tax rate of 30%	1,330	38,321
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
Disposal of indefinite lived intangibles	–	(14,723)
Impairment of investments	553	–
Share of net profits of associates	(454)	(247)
Non-deductible entertainment expenses	1,259	1,213
Other (deductible expenses)/(non-assessable income)/non-deductible expenses	564	(528)
Adjustments recognised in the current year in relation to prior years	(241)	(4,861)
Income tax expense	**3,011**	19,175

6. Income Tax Expense (continued)

	Consolidated	
Deferred Taxes	**2018 $'000**	**2017 $'000**
The balance comprises temporary differences attributable to:		
Licences and brands	**(341,272)**	(372,131)
Employee benefits	**5,974**	5,925
Provisions	**1,794**	2,660
Interest rate swaps	**426**	780
Other	**1,586**	1,328
Net balance disclosed as deferred tax liability	**(331,492)**	(361,438)

For the year ended 30 June 2018, the Company had $0.4 million of income tax expense (2017: $0.2 million expense) recognised directly in equity in relation to cash flow hedges, with a corresponding deferred tax liability (2017: liability) being recognised. There are $58.800 million available unused tax losses on the capital account for which no deferred tax asset has been recognised (2017: $70.917 million). There are no other unused tax losses for which no deferred tax asset has been recognised.

Recognition and Measurement

Income Tax

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

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

Deferred Taxes

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

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

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

Tax Consolidated Group

The Company is the head entity of the tax consolidated group. For further information, refer note 20.

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

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

Consolidated 2017	Land and Buildings $'000	Leasehold Improvements $'000	Plant and Equipment $'000	Assets under construction $'000	Total $'000
Cost	33,652	38,887	350,645	8,620	431,804
Accumulated depreciation expense	(9,805)	(21,931)	(263,890)	–	(295,626)
Net carrying amount	23,847	16,956	86,755	8,620	136,178
Movement					
Net carrying amount at beginning of year	27,522	13,668	95,411	8,648	145,249
Additions	283	6,333	15,066	6,411	28,093
Disposals	(1,098)	(11)	21	–	(1,088)
Disposal of operations and assets	(1,789)	(239)	(4,556)	–	(6,584)
Depreciation expense	(1,071)	(2,319)	(26,102)	–	(29,492)
Transfers	–	(476)	6,915	(6,439)	–
Net carrying amount at end of year	23,847	16,956	86,755	8,620	136,178

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

8. Non-Current Assets – Intangible Assets

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

Consolidated 2017	Goodwill $'000	Broadcasting Licences $'000	Brands and Tradenames $'000	Customer Contracts $'000	Total $'000
Cost	352,129	1,483,224	89,700	2,240	1,927,293
Accumulated impairment expense	(352,129)	(300,583)	(24,848)	–	(677,560)
Accumulated amortisation expense	–	–	–	(778)	(778)
Net carrying amount	–	1,182,641	64,852	1,462	1,248,955
Movement					
Net carrying amount at beginning of year	–	1,224,773	64,736	–	1,289,509
Additions	–	6,940	116	2,240	9,296
Amortisation expense	–	–	–	(778)	(778)
Disposal of operations and assets	–	(49,072)	–	–	(49,072)
Net carrying amount at end of year	–	1,182,641	64,852	1,462	1,248,955

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.

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. The Directors have given regard to the impairment of the television licences in the Regional CGU. However, in the Directors' view, this does not impact the useful life of the licences. As a result, 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.

9. 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 Regional, being Regional free-to-air commercial radio and television broadcasting, and Metro being Metro free-to-air commercial radio broadcasting.

The recoverable amount of Regional and Metro at 30 June 2018 and 30 June 2017 was determined based on a value in use discounted cash flow ("DCF") model.

Allocation of goodwill and other intangible assets

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

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

Consolidated 2017	Regional CGU $'000	Metro CGU $'000	Total $'000
Goodwill allocated to CGU	–	–	–
Indefinite lived intangible assets allocated to CGU	628,571	618,922	1,247,493
Finite lived intangible assets allocated to CGU	–	1,462	1,462
Total goodwill, finite and indefinite lived intangible assets	628,571	620,384	1,248,955

Key Judgement	%	%
Value in use assumptions (see part (b))		
Revenue growth – Forecast Period	(0.3)	2.9
Cost growth – Forecast Period	0.2	2.1
Long-term growth rate – terminal value		
Radio	2.3	2.3
Television	(1.0)	N/A
Discount rate (pre-tax)	12.7	12.2

b) Key assumptions used for value in use calculations

The value in use calculations use cash flow projections based on the 2019 Board approved financial budgets extended over the subsequent four-year period ("Forecast Period") and apply a terminal value calculation using estimated growth rates approved by the Board for the business relevant to each CGU. In determining appropriate growth rates to apply to the Forecast Period and to the terminal calculation, the Group considered forecast reports from independent media experts as well as internal company data and assumptions. In respect to each CGU the market growth rates did not exceed the independent forecast reports. The discount rate used reflects specific risks relating to the relevant segments and the economies in which they operate.

9. Impairment (continued)

c) Impact of a reasonably possible change in key assumptions

Regional CGU

Impairment

At 30 June 2018, an impairment loss of $102.9 million was recorded against television licences in the Regional CGU. The estimated recoverable amount of the Regional CGU, based on value in use, equals its carrying amount. The impairment reflects a continuing decline in the free-to-air television markets: with a decline of 3.4% this financial year; independent estimates of television industry growth rates showing further significant declines over the forecast period; and in line with the independent estimates, a reduction in the television terminal growth rate to (5.9)% from (1.0)% last year.

Sensitivity

Any variation in the key assumptions used to determine the value-in-use would result in a change of the recoverable amount of the Regional CGU. Negative variances may cause impairment in future periods. The following changes in key assumptions would have the following approximate impact on recoverable amount and carrying value for the Regional CGU:

Sensitivity	Change in variable in perpetuity %	Impact of change on Regional CGU carrying value $ million
Revenue	+1%	54.0
	–1%	(52.6)
Expenses	+1%	(35.0)
	–1%	34.1
Post-tax discount rate	+0.5%	(28.7)
	–0.5%	31.9
Terminal growth rate	+0.5%	22.9
	–0.5%	(20.6)

Metro CGU

Sensitivity

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

Sensitivity	Change in variable %	Impact of change on Metro CGU carrying value $ million
Reduction in Metro market share estimates in the final forecast year from 32.0% to 30.0%	(2.0)%	(65.5)
Reduction in market growth in forecast period from 2.0% to 1.0%	(1.0)%	(34.6)
Reduction in terminal growth rate from 2.0% to 1.0%	(1.0)%	(19.9)

10. Cash Flow Information

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

	Consolidated	
	2018 $'000	2017 $'000
Profit after income tax	**1,422**	108,563
Impairment of intangibles and investments	**104,708**	–
Depreciation and amortisation	**30,718**	30,870
Net gain from disposal of operations and assets	**(1,069)**	(3,559)
Share of associate profit	**(1,152)**	(510)
Interest expense and other borrowing costs included in financing activities	**15,609**	19,510
Share-based payments	**924**	2,000
Change in operating assets and liabilities:		
Decrease/(increase) in receivables	**10,799**	(7,717)
Decrease in deferred taxes (net of tax movement in hedge reserve)	**(30,300)**	(12,442)
Decrease in payables (excluding interest expense classified as financing activities)	**(10,397)**	(6,064)
Decrease in deferred income	**(4,260)**	(6,446)
Decrease in provision for income tax	**(1,466)**	(4,951)
Decrease in provisions	**(3,649)**	(3,013)
Net cash inflows from operating activities	**111,887**	116,241

b) Net debt reconciliation

	Consolidated	
	2018 $'000	2017 $'000
Cash and liquid investments	**56,052**	48,978
Borrowings – repayable within one year	**(19)**	(86)
Borrowings – repayable after one year	**(360,000)**	(370,030)
Net debt	**(303,967)**	(321,138)
Cash and liquid investments	**56,052**	48,978
Gross debt – fixed interest rates	**(360,019)**	(370,116)
Net debt	**(303,967)**	(321,138)

11. Receivables, Payables, Deferred Income and Provisions

a) Receivables

	Consolidated 2018 $'000	Consolidated 2017 $'000
Current		
Trade receivables	**126,341**	131,744
Provision for doubtful debts	**(807)**	(703)
Prepayments	**8,545**	12,795
Other[1]	**2,635**	14,174
	136,714	158,010

1 Included in Other in 2017 is $10.120 million of deferred consideration due in connection with the disposal of operations and assets.

	Consolidated 2018 $'000	Consolidated 2017 $'000
Non-current		
Refundable deposits	**147**	138
Related parties	**515**	1,543
Other	**955**	1,283
	1,617	2,964

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

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

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

Consolidated As at 30 June 2017	Current – not past due $'000	Past due – up to 60 days $'000	Past due – 60 – 90 days $'000	Past due – >90 days $'000	Total $'000
Trade receivables	113,877	11,854	3,098	2,915	131,744
Provision for doubtful debts	–	–	–	(703)	(703)

The Group has recognised expenses in respect of bad and doubtful trade receivables during the year ended 30 June 2018 of $717,602 (2017: expense of $1,130,603). This provision is based on known bad debts and past experience for receipt of trade receivables. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is recognised in profit or loss. Where a debt is known to be uncollectible, it is considered a bad debt and written off.

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

b) Payables

	Consolidated 2018 $'000	Consolidated 2017 $'000
Current		
Trade creditors	**12,732**	11,523
GST payable	**3,565**	4,132
Accruals and other payables	**50,343**	65,387
	66,640	81,042

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 2018 $'000	Consolidated 2017 $'000
Current		
Deferred income	**8,553**	9,477
	8,553	9,477

	Consolidated 2018 $'000	Consolidated 2017 $'000
Non-current		
Deferred income	**88,609**	91,945
	88,609	91,945

Recognition and Measurement

Deferred Income

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

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

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

11. Receivables, Payables, Deferred Income and Provisions (continued)
d) Provisions

	Consolidated	
	2018 $'000	**2017 $'000**
Current		
Employee benefits	**17,800**	17,766
Onerous contracts	**–**	1,195
Lease provisions	**338**	769
	18,138	19,730

	Consolidated	
	2018 $'000	**2017 $'000**
Non-current		
Employee benefits	**2,295**	2,142
Onerous contracts	**–**	1,381
Lease provisions	**5,671**	6,611
	7,966	10,134

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

	Consolidated	
	2018 $'000	**2017 $'000**
Balance at the beginning of the financial year	**9,956**	11,864
Additional provisions made in the period, including increases to existing provisions	**778**	602
Amounts used during the period	**(2,053)**	(1,695)
Unused amounts reversed during the period	**(2,672)**	(815)
Balance at the end of the financial year	**6,009**	9,956

Recognition and Measurement

Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market estimates of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Wages and salaries, leave and other entitlements

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

Onerous Contracts

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

Lease Provisions

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

Capital Management

12. 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 amended its dividend payout ratio during the year. The Group intends to distribute between 65-85% of underlying financial year Net Profit After Tax.

Dividend Reinvestment Plan ("DRP")

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

Further details on the Group's dividends are outlined in note 13.

Debt Facilities

Syndicated Debt Facility

During the year, the Group successfully renegotiated its Syndicated Facility Agreement ("SFA"). At 30 June 2018 the Group had a $500 million (2017: $470 million) revolving 3 year SFA expiring on 8 January 2021. This facility is used as core debt for the Group, and may be paid down and redrawn in accordance with the SFA.

Covenants

For the duration of the SFA the Banking Group, being Southern Cross Austereo Pty Limited and its subsidiaries, has a maximum leverage ratio covenant of 3.5 times and a minimum interest cover ratio of 3.0 times. As at 30 June 2018, the leverage ratio was 1.79 times and the interest cover ratio was 12.03 times.

Further details on the Group's debt facilities are outlined in note 16.

Property, Plant and Equipment and Intangibles

The capital expenditure for 2018 was $24.230 million (2017: $28.613 million).

Further details on the Group's fixed assets are outlined in note 7.

13. Dividends Paid and Proposed

	Consolidated 2018 $'000	Consolidated 2017 $'000
The dividends were paid as follows:		
Interim dividend paid for the half year ended 31 December 2017/2016 – fully franked at the tax rate of 30%	**28,838**	28,838
Final dividend paid for the year ended 30 June 2017/2016 – fully franked at the tax rate of 30%	**30,761**	26,915
	59,599	55,753
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan were as follows:		
Paid in cash	**59,599**	55,753
	59,599	55,753

	Cents per share	Cents per share
Interim dividend paid for the half year ended 31 December	**3.75**	3.75
Final dividend paid for the year ended 30 June	**4.00**	3.50
	7.75	7.25

The Group has $144.9 million of franking credits at 30 June 2018 (2017: $135.3 million).

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

Since the end of the financial year the Directors have declared the payment of a final 2018 ordinary dividend of $30.761 million (4.00 cents per fully paid share) out of Retained profits – 2013 reserve. This dividend will be paid on 9 October 2018 by the Company.

14. Earnings per Share

	Consolidated 2018	Consolidated 2017
Continuing Operations		
Profit attributable to shareholders from continuing operations ($'000)	**1,422**	108,563
Profit attributable to shareholders from continuing operations excluding significant items ($'000)	**75,271**	108,563
Weighted average number of shares used as the denominator in calculating basic earnings per share (shares, '000)	**769,014**	769,005
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (shares, '000)	**772,763**	771,676
Basic earnings per share (cents per share)	**0.19**	14.12
Diluted earnings per share (cents per share)	**0.19**	14.07
Excluding significant items (refer note 4)		
Basic earnings per share excluding significant items (cents per share)	**9.79**	14.12
Diluted earnings per share excluding significant items (cents per share)	**9.74**	14.07
Dividends paid/proposed for the year as a % of NPAT[1]	**79.2%**	54.9%

1 In 2017 profit attributable to shareholders from continuing operations included a $14.7 million non-cash credit within deferred tax following the disposal of indefinite lived intangibles. Excluding this item the dividends paid/proposed for the year as a % of NPAT is 63.5%.

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.

15. Contributed Equity and Reserves

	Consolidated	
	2018 $'000	2017 $'000
Ordinary shares	**1,379,736**	1,379,736
Contributed equity	**1,379,736**	1,379,736

	Consolidated		Consolidated	
	2018 $'000	2017 $'000	2018 Number of securities '000	2017 Number of securities '000
On issue at the beginning of the financial year	**1,379,736**	1,379,386	**769,014**	768,727
Shares issued for equity component in talent contracts	–	350	–	287
On issue at the end of the financial year	**1,379,736**	1,379,736	**769,014**	769,014

Ordinary shares in Southern Cross Media Group Limited
Ordinary shares entitle the holder to participate in distributions and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands, each shareholder present in person and each other person present as a proxy has one vote and upon a poll, each share is entitled to one vote.

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

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

Nature and purpose of reserves
a) Share-based payments reserve
The share-based payments reserve is used to recognise the fair value of future potential shares to be issued to employees for no consideration in respect of performance rights offered under the Long Term Incentive Plan. During the year 918,166 performance rights have vested (2017: 219,872) and 2,242,074 (2017: 2,245,096) performance rights have been granted. In the current year $1,102,410 (2017: $917,018) has been recognised as an expense in the Statement of Comprehensive Income as the fair value of potential shares to be issued.

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

c) Reverse Acquisition Reserve
As described in note 1(a), there is a reverse acquisition reserve of $77.406 million (2017: $77.406 million) in connection with the IPO of the Group.

16. Borrowings

a) Total interest bearing liabilities

	Consolidated 2018 $'000	Consolidated 2017 $'000
Current secured borrowings		
Lease liabilities	**19**	86
Total secured current interest bearing liabilities	**19**	86

	Consolidated 2018 $'000	Consolidated 2017 $'000
Non-current secured borrowings		
Bank facilities	**360,000**	370,000
Borrowing costs	**(2,399)**	(1,268)
Lease liabilities	**–**	30
Total secured non-current interest bearing liabilities	**357,601**	368,762
Total current and non-current borrowings	**357,620**	368,848

For all non-current borrowings, the carrying amount approximates fair value in the balance sheet. Of the $2.399 million of borrowing costs, $0.923 million (2017: $0.828 million) will unwind during the year ending 30 June 2019.

b) Interest expense

	Consolidated 2018 $'000	Consolidated 2017 $'000
Interest expense and other borrowing costs		
External banks	**14,912**	18,537
Amortisation of borrowing costs	**697**	973
Total interest expense and other borrowing costs	**15,609**	19,510

c) Bank facilities and assets pledged as security

The $500 million debt facilities (2017: $470 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 Limited. The facility matures on 8 January 2021 and has an average variable interest rate of 3.51% (2017: 3.53%). The facility is denominated in Australian dollars.

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

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

	Consolidated	
	2018 $'000	2017 $'000
Current assets		
Floating charge		
Cash and cash equivalents	**56,046**	48,972
Receivables	**136,027**	157,441
Total current assets pledged as security	**192,073**	206,413
Non-current assets		
Floating charge		
Receivables	**1,617**	2,824
Investments accounted for using the equity method	**4,932**	4,088
Property, plant and equipment	**130,607**	136,178
Intangible assets	**1,144,744**	1,248,955
Total non-current assets pledged as security	**1,281,900**	1,392,045
Total assets pledged as security	**1,473,973**	1,598,458

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.

17. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (the Group's main exposure to market risk is interest rate risk), liquidity risk and cash flow interest rate risk. There is a relatively low level of credit risk on receivables that is managed by careful business practices (refer note 11). The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures.

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

a) Interest rate risk

Nature of interest rate risk

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

Interest rate risk management

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

Exposure and sensitivity to interest rate risk

External borrowings of the Group currently bear an average variable interest rate of 3.51% (2017: 3.53%). In 2015 the Group entered into $320 million of interest rate swap contracts under which it was obliged to receive interest at variable rates and to pay interest at fixed rates at an average fixed rate of 2.5% (2017: 2.5%). These interest rate swap contracts expired in January 2018. In 2017 the Group entered into $200 million of interest rate swap contracts under which it is obliged to receive interest at variable rates and pay interest at fixed rates starting in January 2018 at an average fixed rate of 2.4%. These interest rate swap contracts will expire in January 2021. Later in 2017 the Group entered into a further $100 million of interest rate swap contracts under which it is obliged to receive interest at variable rates and pay interest at fixed rates starting in January 2018 at an average fixed rate of 2.25%. These interest rate swap contracts will expire in January 2022. Details on how the Group accounts for the interest rate swap contracts as cashflow hedges is disclosed in note 26.

Derivative financial instruments

	Consolidated	
	2018 $'000	**2017 $'000**
Interest rate swap contracts – current liability	–	1,651
Interest rate swap contracts – non-current liability	**1,419**	948
Total derivative financial instruments	**1,419**	2,599

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 (2017: +/- 25 basis points) in the relevant interest rates at 30 June 2018 for financial assets and liabilities denominated in Australian Dollars ("AUD"). The following table illustrates the impact on profit or loss with no impact directly on equity for the Group.

Consolidated AUD exposures	Carrying Value $'000	Impact on post-tax profits Increase/(decrease) +/– 25 basis points $'000	 $'000	Impact on reserves Increase/(decrease) +/– 25 basis points $'000	 $'000
2018		**+25**	**–25**	**+25**	**–25**
Cash at bank	**56,052**	**98**	**(98)**	**–**	**–**
Interest rate swaps	**(1,419)**	**525**	**(525)**	**2,059**	**(2,074)**
Borrowings	**(360,000)**	**(630)**	**630**	**–**	**–**
2017		+25	–25	+25	–25
Cash at bank	48,978	86	(86)	–	–
Interest rate swaps	(2,599)	461	(461)	2,036	(2,051)
Borrowings	(370,000)	(648)	648	–	–

b) Liquidity risk

Nature of liquidity risk

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

Liquidity risk management

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

Exposure and sensitivity

Financing arrangements

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

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

Consolidated As at 30 June 2017	Bank facilities $'000	Working capital facility $'000	Non-recourse receivables financing facility $'000	Total facilities $'000
Line of credit value	470,000	5,000	–	475,000
Used at balance date	(370,000)	(4,168)	–	(374,168)
Unused at balance date	100,000	832	–	100,832

The $500 million debt facility for the Group matures on 8 January 2021. The Group's bank facilities are denominated in Australian dollars as at 30 June 2018 and 30 June 2017.

17. Financial Risk Management (continued)

b) Liquidity risk (continued)

Undiscounted future cash flows

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

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

Consolidated As at 30 June 2017	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-5 years $'000	Greater than 5 years $'000
Lease liabilities	90	21	3	3	4
Borrowings – Principal	–	370,000	–	–	–
Interest cashflows[1]	15,079	8,373	1,360	1,360	–
Derivative financial instruments[2]	1,651	–	–	948	–
Payables[3]	69,908	–	–	–	–
Total	86,728	378,394	1,363	2,311	4

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 $1.419 million (2017: $2.599 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.

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

	Consolidated 2018 $'000	Consolidated 2017 $'000
Carrying amount at the beginning of the financial year	**5,167**	3,657
Share of profit/(losses) after income tax	**1,152**	510
Acquisition of associates and joint ventures	**1,729**	1,000
Decrease in associates and joint ventures	**(308)**	–
Carrying amount at the end of the financial year	**7,740**	5,167

19. 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 2018	Effective ownership interest 2017
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.

20. 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	**2018 $'000**	**2017 $'000**
Current assets	**693**	575
Non-current assets	**972,784**	966,576
Total assets	**973,477**	967,151
Current liabilities	**5,539**	2,080
Total liabilities	**5,539**	2,080
Net assets	**967,938**	965,071
Issued capital	**1,282,148**	1,282,148
Reserves	**6,595**	5,671
Retained profits – 2013 reserve	**45,040**	45,040
Accumulated losses – 2014 reserve	**(96,805)**	(96,805)
Retained profits – 2015 H1 interim reserve	**22,761**	22,761
Accumulated losses – 2015 H2 reserve	**(323,833)**	(323,833)
Retained profits – 2016 reserve	**27,555**	27,555
Retained profits – 2017 reserve	**2,534**	2,534
Retained profits – 2018 reserve	**1,943**	–
Total equity	**967,938**	965,071
Profit for the year	**61,651**	58,987
Total comprehensive income	**61,651**	58,987

The comparatives in respect of the Retained profits – 2013 reserve and Retained profits – 2016 reserve have been adjusted by $(22,608) million and $22,608 million respectively to better reflect the underlying nature of historical transactions. The adjustment has no impact on reported profit or net assets.

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 2018 (2017: nil). The parent entity has not given any unsecured guarantees at 30 June 2018 (2017: nil).

c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2018 (30 June 2017: nil).

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

As at 30 June 2018, the parent entity had no contractual commitments (30 June 2017: nil).

Recognition and Measurement

Parent entity financial information

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

Other

21. Share-Based Payments

The Company operates a long-term incentive plan for Executive KMP and certain senior executives. The share-based payment expense for the year ended 30 June 2018 was $1,102,410 (2017: $917,018).

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

Number of performance rights	2018	2017
Balance at beginning of the year	**3,749,123**	2,075,763
Granted during the year	**2,242,074**	2,245,096
Exercised during the year	**–**	–
Forfeited during the year	**(671,461)**	(571,736)
Balance at end of the year	**5,319,736**	3,749,123
Vested and exercisable at end of the year	**918,166**	219,872

Recognition and Measurement

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

The fair value of the performance rights issued during 2018 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	19 September 2017	19 September 2017
Grant date share price	$1.27	$1.27
Fair value at grant date	$1.07	$1.07
Exercise price	Nil	Nil
Dividend yield	6.08%	6.08%
Risk free interest rate	2.21%	2.21%
Expected volatility	39.61%	39.61%

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

22. Remuneration of Auditors

	Consolidated 2018 $	2017 $
(a) Audit and other assurance services		
PricewaterhouseCoopers Australian firm:		
Statutory audit and review of financial reports	**555,900**	594,500
Other assurance services	**215,000**	50,000
Regulatory returns	**15,965**	27,000
Total remuneration for audit and other assurance services	**786,865**	671,500
(b) Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax services	**–**	–
Total remuneration for taxation services	**–**	–
(c) Other services		
PricewaterhouseCoopers Australian firm:		
Debt advisory	**165,000**	12,000
Legal services	**32,000**	–
Total remuneration for other services	**197,000**	12,000
Total	**983,865**	683,500

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.

23. 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	
	2018 **$**	**2017** **$**
Short-term employee benefits	**6,052,910**	6,110,212
Post-employment benefits	**228,373**	215,634
Other long-term benefits	**56,543**	12,655
Termination payments	**429,100**	–
Share-based payments	**1,333,567**	733,166
	8,100,493	7,071,667

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 (2017: nil).

b) Subsidiaries and Associates

Ownership interests in subsidiaries are set out in note 19. Details of interests in associates and distributions received from associates are disclosed in note 18. Details of loans due from associates are disclosed in note 11.

24. Leases and Other Commitments

	Consolidated	
	2018 $'000	2017 $'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	**4,302**	1,085
	4,302	1,085
Operating leases		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**21,708**	20,192
Later than one year but not later than five years	**45,923**	53,701
Later than five years	**21,748**	20,603
	89,379	94,496
Finance lease payment commitments		
Finance lease commitments are payable as follows:		
Within one year	**19**	90
Later than one year but not later than five years	**–**	27
Later than five years	**–**	4
	19	121
Less: Future lease finance charges	**–**	(5)
	19	116
Lease liabilities provided for in the financial statements:		
Current	**19**	86
Non-current	**–**	30
Total lease liability	**19**	116

Leases

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

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

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

Rental expense relating to operating leases included in occupancy costs is $25.1 million (2017: $26.9 million).

25. Events Occurring after Balance Date

Other than matters outlined elsewhere in this report, 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.

26. 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 $14.9 million (2017: $14.4 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.

Hedge accounting

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

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

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

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.

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.

Impact of new accounting policies

The year end financial statements have been prepared on a basis of accounting policies consistent with those applied in the 30 June 2017 Annual Report. The Group adopted certain accounting standards, amendments and interpretations during the financial year which did not result in changes in accounting policies nor an adjustment to the amounts recognised in the financial statements. They also do not significantly affect the disclosures in the Notes to the financial statements.

26. Other Accounting Policies (continued)

Impact of standards issued but not yet applied

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

<table>
<tr><th>Title of standard</th><th>Nature of change</th><th>Impact</th><th>Mandatory application date/ Date of adoption by Group</th></tr>
<tr><td>AASB 9 Financial Instruments</td><td> AASB 9 includes guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment of financial assets, including trade receivables, and new general hedge accounting requirements. AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement </td><td> Management has reviewed the new standard and considers there will be no material impact on the Group's financials, other than some presentation changes and expanded disclosures required. The accounting for the Group's debt under the Syndicated Facility Agreement will remain unchanged. The new hedging rules align hedge accounting more closely with the Group's risk management practices. The Group applies hedge accounting to the Group's interest rate swaps and this will remain unchanged. The result of the change to the expected credit loss model will be the earlier recognition of credit losses, however this will not have a material impact on the Group's financial report as credit losses are not significant. </td><td> Mandatory for financial years commencing on or after 1 January 2018. The Group will adopt AASB 9 from 1 July 2018. </td></tr>
<tr><td>AASB 15 Revenue from contracts with customers</td><td> The core principal of AASB 15 is that an entity recognises revenue related to the transfer of promised goods or services when control of those goods or services passes to the customer. The amount of revenue should reflect the consideration to which the entity expects to be entitled in exchange for those goods and services. AASB 15 replaces AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The standard permits either a full retrospective or a modified retrospective approach for adoption. Under the modified retrospective approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g. 1 July 2018), without restating the comparative period. Under this approach entities will only need to apply the new rules to contracts that are not completed as of the date of initial application. </td><td> Management has reviewed a representative sample of contracts to identify potential changes in the timing of revenue recognition, measurement of the amount of revenue and note disclosures. It has been identified that there will not be a material change to the majority of the Group's revenue, however the exception to this is revenue recognised from the ATN contract (refer note 11(c)). Management has reviewed the available methods of adoption and is expected to apply the full retrospective approach. ATN Contract
Management has identified that a significant financing component exists within the ATN contract. The Group will be required to separate the underlying revenue from the implied financing component and associated interest expense. The effect on the Group's Income Statement in FY2019 and FY2018 comparative will be:
<table>
<tr><th></th><th>Revenue</th><th>Interest Expense</th><th>Net Profit before Tax</th></tr>
<tr><td>FY19</td><td></td><td></td><td></td></tr>
<tr><td>Current ($m)</td><td>3.3</td><td>–</td><td>3.3</td></tr>
<tr><td>AASB 15 ($m)</td><td>7.1</td><td>(5.6)</td><td>1.5</td></tr>
<tr><td>Impact ($m)</td><td>3.8</td><td>(5.6)</td><td>(1.8)</td></tr>
<tr><td>FY18</td><td></td><td></td><td></td></tr>
<tr><td>Current ($m)</td><td>3.3</td><td>–</td><td>3.3</td></tr>
<tr><td>AASB 15 ($m)</td><td>7.1</td><td>(5.7)</td><td>1.4</td></tr>
<tr><td>Impact ($m)</td><td>3.8</td><td>(5.7)</td><td>(1.9)</td></tr>
</table>
Additionally under the full retrospective approach the contract is accounted for as if AASB 15 was in place at the date the ATN contract became effective. This will give rise to a reduction in opening retained earnings of approximately $4.7 million with a corresponding increase in the deferred income balance. </td><td> Mandatory for financial years commencing on or after 1 January 2018. The Group will adopt AASB 15 from 1 July 2018. </td></tr>
</table>

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by Group
AASB 15 *Revenue from contracts with customers (continued)*		*Production Revenue* Under AASB 15, production revenue from the creation of advertising would be treated as a separate performance obligation to the advertising airtime provided. Revenue would need to be brought to account in the Income Statement when the production performance obligation has been completed and not when the advertising is aired. Whilst some production revenue for the Group may be required to be recognised earlier, the impact to the financial report is not material. *Bonus Spots* Advertising revenue is made up of both paid spots at the contracted rate and bonus spots at zero value. Bonus spots are spread evenly in proportion to paid spots. Under AASB 15, the bonus spots are to have a value attributed to them and the relevant revenue accounted for when the bonus spot has been aired. Similarly, paid spots are to have a lower value attributed to them. Given paid and unpaid spots are evenly spread throughout the length of an advertising campaign, the mixture of both paid and bonus spots being aired results in a blended rate which should be recognised under AASB 15. Any financial impact over a reporting period end is not expected to be material however the Group is still finalising its analysis. *Agency Commission* Under AASB 15, when a third party is involved in providing goods or services to a customer the entity must determine if it is a principal or agent with AASB 15 having more definitive guidance than AASB 118. Where it has been determined the entity is a principal, the revenue and costs are recorded on a gross basis and where it has been determined the entity is an agent, the revenue is recorded net of agency commission. Where SCA commences a contract between an agency and end customer, the Group has determined that it is the principal and that the advertiser is its customer rather than the agency and will therefore continue to record revenue and agency commission on a gross basis.	

26. Other Accounting Policies (continued)

Impact of standards issued but not yet applied (continued)

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by Group
AASB 16 *Leases*	The AASB has issued a new standard for lease accounting. AASB 16 will replace AASB 17. The standard removes the distinction between operating and finance leases. Lessee accounting – Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. – A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. – Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease. – AASB 16 includes disclosure requirements for lessees. Lessor accounting will not change significantly.	The Group has classified its leases into four main portfolios – Transmission Sites, Premises, Equipment and Other. It is not practicable to calculate the implicit rate in the leases; therefore, each portfolio will be evaluated to determine the applicable incremental borrowing rate to calculate the present value of outstanding commitments. The incremental borrowing rate will take into account the duration of the lease, the economic environment and other relevant factors. As at the reporting date, the Group had non-cancellable leases of $89.4 million (refer note 24). The Group has not finalised its quantification of the effect of the new standard, however the following impacts are expected: – A decrease in operating costs due to the reduction in operating lease expenditure. – An initial reduction in net profit for each lease due to the increase in depreciation on the right-of-use lease asset and an increase in interest expense on the lease liabilities. This is expected to reverse over time as the portfolio of leases matures. – A gross-up of the balance sheet to account for the new right-of-use lease assets and related lease liabilities. – Operating cash flow will increase under AASB 16 as the element of cash paid attributable to the repayment of principal will be included in financing cash flow. The net increase/decrease in cash and cash equivalents will remain the same. Leases with a term of less than 12 month or which have a low value will continue to be accounted for in the Income Statement as lease expenses are incurred. The standard must be implemented using either a full retrospective approach or a modified retrospective approach. Under the modified retrospective approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g. 1 July 2019), without restating the comparative period. The Group currently expects to use the modified retrospective approach for adoption.	Mandatory for financial years commencing on or after 1 January 2019. The Group expects to adopt AASB 16 from 1 July 2019.

DIRECTORS' DECLARATION

FOR YEAR ENDED 30 JUNE 2018

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 62 to 96 are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company and the consolidated entity; and
3. the Directors have been given the declarations required by section 295A of the Corporations Act 2001.
4. Note 1(i) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

On behalf of the Directors

Peter Bush
Chairman
Sydney, Australia
23 August 2018

Leon Pasternak
Deputy Chairman
Sydney, Australia
23 August 2018

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Independent auditor's report

To the members of Southern Cross Media Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2018 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 2018
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

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

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

Our audit approach

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

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

Materiality

- For the purpose of our audit we used overall Group materiality of $5.45 million, which represents approximately 5% of the Group's profit adjusted for impairment.
- 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 metric against which the performance of the Group is most commonly measured and is a generally accepted benchmark. We adjusted for impairment as it is an unusual or infrequently occurring item impacting the statement of comprehensive income.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable profit related thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Group operates in Australia and the audit is conducted by one engagement team.

Key audit matters

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

Key audit matter	*How our audit addressed the key audit matter*
Impairment assessment for licences, tradenames and brands *(refer to note 9)* The Group has significant indefinite lived intangible assets totalling $1.15 billion as at 30 June 2018, which under Australian Accounting Standards are required to be tested at least annually for impairment. The Directors' impairment assessment shows an impairment of $102.9m in the Regional CGU. No impairment has been identified in the Metro CGU. This continues to be a key audit matter because of the size of the indefinite lived intangible assets and on the basis the impairment assessment involves estimates of future earnings and cash flows for both Regional and Metro cash generating units (CGUs). Judgements made in determining whether an impairment is required include assumptions about internal and external factors such as industry growth rates, future market share estimates and the forecast financial performance of the Group. In particular, the media industry in Australia experienced considerable regulatory reform during the year which is likely to drive changes in the competitive environment in which Southern Cross Austereo operates.	In designing our audit approach for the key audit matter we considered: • whether the Directors' determination of CGUs was consistent with our understanding of the nature of the Group's operations • recent independent Radio and Television ratings and market share data and the relative impact on financial performance of the Group • the market capitalisation of the Group in comparison to the carrying value of the assets and the impact on the impairment assessment • regulatory, economic and market developments during the year that could impact the discount rate and the long term growth rate calculations. To evaluate the cash flow forecasts prepared for the Directors' impairment assessment we performed the following procedures, amongst others: • obtained the value-in-use discounted cash flow model (the model) used for impairment testing and agreed the Regional CGU impairment to the amount calculated by the model. We also performed mathematical accuracy checks, evaluated the terminal value methodology and assessed the appropriateness of the discount rate incorporated in the model • compared the FY2019 forecasted cash flows used in the model with the FY2019 budget formally

Key audit matter	*How our audit addressed the key audit matter*
	approved by the Board and evaluated the Directors' ability to forecast future cash flows by considering the historical accuracy of budgeted cash flows and actual performance for July 2018 • considered whether the model's allocation of corporate costs between CGUs was reasonable and reflective of actual costs incurred • assessed key growth assumptions within the model with specific focus on forecast revenue comparing to readily available market information. We performed sensitivity analysis over key assumptions in the model to ascertain the extent of change in those assumptions that, either individually or collectively, would result in the assets being impaired and we also assessed the likelihood of such a movement in those key assumptions arising. We satisfied ourselves that this was appropriately highlighted within the disclosures in note 9.
Indefinite lives classification of intangible assets *(refer to note 8)* On at least an annual basis, the Directors review its portfolio of intangible assets to determine whether they should be classified as amortising intangible assets with finite lives or non–amortising intangibles with indefinite lives. As of 30 June 2018, Southern Cross Austereo has intangible assets totalling $1.15 billion, consisting of brands and licences, classified as non-amortising indefinite lived. This was a key audit matter because determination of whether or not intangibles are indefinite lived involves significant judgements over multiple sources of externally and internally generated information. The determination has an impact on the financial statements as it affects whether amortisation is recorded in the statement of comprehensive income.	 In assessing the indefinite useful life of intangible assets we performed the following procedures, amongst others: • considered regulatory developments in the year which may change the licence renewal process or use of brands • assessed whether there had been any revocation of television or radio licences by Australian Communications and Media Authority (ACMA) in the year • considered market share data related to new industry participants not subject to the same regulatory and licence framework • evaluated strategic plans for the Directors' intended use of the related media assets • considered the useful life of TV broadcasting licenses

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Key audit matter	How our audit addressed the key audit matter
	in light of the negative long term growth assumptions utilised by the Directors in the Regional CGU impairment assessment. We also benchmarked the assumptions and conclusion made by the Directors against a selection of similar assets held by other industry participants in the radio and television advertising market. In addition, we considered the significant accounting policy disclosed in note 8 for consistency with Australian Accounting Standards.
Revenue recognition *(refer to* note 3 *and 26)* We have considered revenue recognition a key audit matter given the significance of revenue to the Group's Statement of Comprehensive Income and because revenue is an important metric by which the Group's performance is measured.	In designing our audit approach for revenue recognition we have performed the following procedures, amongst others: • obtained an understanding of the customer contracts, invoicing and cash receipting process • considered the Directors' assessment of the accounting treatment of material revenue streams. • performed risk-based targeted substantive procedures over revenue transactions • performed controls testing over revenue systems to identify the correct airing of advertising spots • used data assurance software to analyse revenue transactions • confirmed year end accounts receivable balances directly with customers or via subsequent receipts of cash • assessed the appropriateness of the Directors' disclosure of the expected impact from adoption of the of AASB 15 *Revenue from contracts with customers*.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, 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, including: Chairman's Statement, CEO's Report, Corporate Governance Statement, Additional Stock Exchange Information, Corporate Directory, Board of Directors overview, and other operational highlights including Statistics Snapshot, Winning Aspiration, SCA engages with Australia, The leaders in audio, Our people, values and partners and Philanthropy.

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

If, based on the work we have performed 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 as identified above, 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 *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 43 to 60 of the directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of Southern Cross Media Group Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

PricewaterhouseCoopers

Sam Lobley
Partner

Melbourne
23 August 2018

Additional Stock Exchange Information

The additional stock exchange information set out below was applicable as at 31 August 2018. The Company has only one class of shares, fully paid ordinary shares. All holders listed below hold fully paid ordinary shares and each holder has the same voting rights. There are no unlisted securities and there is currently no on-market buy-back.

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

Name	Fully paid ordinary shares	% of issued capital
HSBC Custody Nominees (Australia) Limited	260,206,651	33.84
J P Morgan Nominees Australia Limited	154,405,051	20.08
Citicorp Nominees Pty Limited	138,052,577	17.95
National Nominees Limited	91,744,503	11.93
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	21,943,454	2.85
BNP Paribas Noms Pty Ltd (DRP)	13,612,155	1.77
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	12,856,158	1.67
AMP Life Limited	5,804,077	0.75
Brispot Nominees Pty Ltd (House Head Nominee A/C)	3,657,514	0.48
HSBC Custody Nominees (Australia) Limited – GSCO ECA	2,943,945	0.38
Sandhurst Trustees Ltd (SISF A/C)	1,700,000	0.22
Bainpro Nominees Pty Ltd	1,390,261	0.18
HSBC Custody Nominees (Australia) Limited (NT Comnwlth Super Corp A/C)	1,264,108	0.16
HSBC Custody Nominees (Australia) Limited	1,101,389	0.14
Akat Investments Pty Ltd (Tag Family Core A/C)	1,000,000	0.13
Mr James Gardiner	800,000	0.10
Commercial Custodian Nominees Pty Ltd (Pasternak Super Fund A/C)	677,000	0.09
Abbysah Pty Limited (Weiss Super Fund A/C)	614,397	0.08
CS Third Nominees Pty Limited (HSBC Cust Nom Au Ltd 13 A/C)	606,780	0.08
Ms Rachel Irene Alembakis	464,286	0.06
	714,380,020	**92.90**

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

Range	Number of shareholders	Fully paid ordinary shares
1 – 1,000	835	324,436
1,001 – 5,000	1,393	4,130,812
5,001 – 10,000	731	5,742,727
10,001 – 100,000	1,121	29,829,208
100,001 and over	87	728,986,422
	4,167	**769,013,605**
Holding less than a marketable parcel	432	18,778

Substantial holders in the Company (with holdings as notified to the Company most recently before 31 August 2018) are set out below:

Name	Fully paid ordinary shares	% of issued capital
Allan Gray Australia Pty Ltd and its related bodies corporate	121,045,349	15.74
Ubique Asset Management Pty Limited	80,159,734	10.42
Investors Mutual Ltd and its related bodies corporate	56,120,940	7.30
Commonwealth Bank of Australia and its related bodies corporate	54,848,915	7.13
Challenger Limited and its related bodies corporate	47,481,655	6.17
Dimension Fund Advisors LP and related entities	39,175,389	5.09
Retail Employees Superannuation Pty Limited	38,568,350	5.02
	437,400,332	**56.87**

Securities subject to voluntary escrow are set out below:

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

CORPORATE DIRECTORY

Southern Cross Media Group Limited
ABN 91 116 024 536

Company Secretary
Mr Tony Hudson

Registered Office
Level 2

257 Clarendon Street

South Melbourne VIC 3205

+61 3 9252 1019

Share Registry
Computershare Investor Services Pty Limited

Yarra Falls

452 Johnston Street

Abbotsford VIC 3067

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Sourcing included within this document: GfK Radio Ratings Survey #4 2018 Metro SCA FM and DAB+ Brands. Newcastle Survey #1 2018, Gold Coast and Canberra Survey #2 2018 P10+ Mon-Sun 5.30am-12mn Cume. Xtra Insights Survey #1 2016 Griffith, Mt Gambier, Toowoomba, West Gippsland, Organe, Wagga, Rocky-Gladstone, Mildura, Bunbury, Bendigo P10+ Mon-Sun 5.30am-12mn Cume. Survey #1 2017 Wheatbelt, Esperance, Dubbo, Mt Isa, Kingaroy, Roma, Emerald, Port Macquarie, Cairns, Coffs Harbour, Albury, Bundaberg, Albany, Kalgoorlie, Maryborough, Gosford, Hobart and Townsville P10+ Mon-Sun 5.30am-12mn Cume. Survey #1 2018 Mackay and Shepparton P10+ Mon-Sun 5.30am-12mn Cume. 4 AGGS & TAS: Regional TAM. Weekly Cume Reach (1 min) averaged. Sun-Sat 0200-2600. Diary Markets: TV Advisor. Darwin, Central, SGT. Sun-Sat 0600-2400. SCAR insights Podcasting Study. May 2018. "Have you ever taken any of the following actions as a result of a sponsorship or advertising you have heard on a podcast you enjoy?" TEG Rewards –External Weighted Sample. Monthly Podcasts aged 18-54. N=499. Facebook Insights as at 12.07.18. Facebook as at 12.07.18. Twitter as at 12.07.18. Instagram as at 12.07.18.

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