# 2018 Annual Report

HT&E

**HT&E LIMITED**
ABN 95 008 637 643

## In this report



**HT&E Limited (HT&E) is one of Australia's leading radio and audio businesses. Our audio brands are some of the most recognised in the country, and each week entertain and engage more than five million Australians.**

**In September 2018, HT&E completed the sale of Adshel to oOh!media for $570 million. The sale delivered compelling value for HT&E shareholders in a consolidating out of home industry and represented significant value uplift of over $340 million, compared to HT&E's approximate $230 million net cash investment in Adshel.**

**HT&E's strong balance sheet, together with ARN and a number of emerging digital investments, means we are one of the most exciting media businesses in Australia today.**

Here, There & Everywhere

# HT&E owns one of Australia's leading national metropolitan radio networks and a number of emerging media investments.

**7%↑**

Group EBITDA

**$128.4m**

Net cash at 31 December 2018, compared to $115 million in net debt at 31 December 2017

**79cps**

In fully franked dividends paid during 2018

A further 4 cents per share has been declared and will be paid in March 2019

ARN achieved its best ever ratings in 2018 after launching a number of new breakfast shows and a national drive show, and achieved revenue growth in line with market. The softer radio market in late 2018 contained overall results for the year, and careful management of costs aims to ensure the business is efficiently positioned for 2019. By year end, Conversant Media (Conversant) had fully integrated into ARN, producing cost savings and positioning Conversant for better results in 2019.

Adshel was making significant inroads into reinstating its national digital network at the time it was sold to oOh!media for $570 million. The sale was completed in September and proceeds were used to repay debt, pay a fully franked special dividend of 72 cents per HT&E share and commence an on-market share buyback.

The Cody out of home business in Hong Kong delivered a strong result, returning to profitability for the first time since 2015.

Gfinity Esports Australia launched its Elite Series during 2018, delivering to more than 9 million viewers in its first year. Unbnd, a virtual and augmented reality media business owned 50% by HT&E, made significant progress developing its platform, which we expect to launch early in 2019. Soprano managed more than three billion mobile interactions in 14 countries.

# Chairman's Report

## HT&E is well positioned as strategic focus turns to our core Australian radio and audio assets

I am delighted to be addressing you as the new Chairman of HT&E – a business that I believe is one of the most exciting media companies in Australia today.

2018 has been a truly transformative year for HT&E with the sale of Adshel to oOh!media for $570 million delivering a significant value outcome for shareholders, and has seen HT&E pivot to focus on its core Australian radio and audio assets.

The radio industry remains one of the more resilient sectors of Australian media – both from an audience engagement and an advertiser appetite perspective – and is expected to remain so for the foreseeable future. Collaboration across the sector is positive with constructive dialogue between operators ensuring ambitions are aligned for the overall benefit of the medium.

Against this backdrop, we are determined to further drive strong performance and optimise our core business – Australian Radio Network (ARN).

Our priority is to continue providing high quality, engaging content broadcast by talent that is known and loved, backed by effective promotion and monetisation, and of course, strict cost controls to ensure ARN is Australia's leading radio network.

### *Solid performance*

In 2018, HT&E's financial performance was in line with expectations – a very pleasing result despite the distraction of the Adshel sale. A strong first half in radio was partially offset by a weaker radio advertising market in the last four months of the year. Adshel results were solid in the nine months prior to its disposal in September. Hong Kong Outdoor (Cody) delivered a profitable operating result for the first time since 2015.

The sale of Adshel allows our senior management team to dedicate themselves to focusing on operational excellence of our core radio operations and we have embarked upon a program of restructuring to put in place the most capable people for the HT&E of today and tomorrow. Corporate cost reduction and simplification of our organisational structures also forms part of this program and will continue in 2019.

### *Payment of dividends and share buyback*

Ordinary dividends of seven cents per share, fully franked, were paid during the year. A special dividend of 72 cents per share, fully franked, was paid in October following the Adshel sale completion in September.

In November, the Company commenced an on-market equal access buyback of up to 10 per cent of issued capital. 75 per cent of the buyback was completed before the blackout period came into effect from mid December 2018. We expect the buyback will complete in 2019 and will monitor the status as we approach the Annual General Meeting in May.

The Board has declared a fully franked dividend of 4 cents per share with an ex-dividend date of 22 February and payable on 15 March 2019. Combined with the interim dividend, this represents a payout of approximately 55 per cent of 2018 NPAT attributable to HT&E shareholders from continuing operations (before exceptional items). This is at the higher end of the company's dividend policy of a 40-60 per cent payout ratio.

Our balance sheet position is strong, with net cash of $128.4 million at 31 December 2018.

*HT&E's radio assets are highly profitable and cash generative.*

## *Board and management changes*

2018 also saw changes and renewal at Board level. On behalf of shareholders, I would like to thank Peter Cullinane, Anne Templeman-Jones, Robert Kaye and Christine Holman for their respective contributions to HT&E. I would specifically like to acknowledge the 14 years of dedication from Peter Cosgrove, who retired as a Director and Chairman in June 2018, having overseen a significant restructure of the Group during his tenure.

We are now reconstituting the Board with a team of highly-skilled Directors with the relevant skills and expertise to oversee the Company's strategy, direction and culture going forward. I am very pleased with the Directors that have joined the Board so far and I look forward to introducing them to you at the upcoming Annual General Meeting in May 2019.

## *Australian Taxation Office dispute*

A number of announcements were made during 2018 with regards to the dispute with the Australian Taxation Office (ATO) pertaining to the New Zealand Branch matter, as previously disclosed. Amended assessments were received and objections have been lodged. In that regard, a deposit of $50.7 million was paid to the ATO during the year. The Company intends to fully pursue this matter, and we remain confident in our position. Final resolution of this matter could take several years.

## *The year ahead*

HT&E is well positioned, strategically and financially, with its current businesses.

HT&E's radio assets are highly profitable and cash generative. We have a strong balance sheet and the experience and ability in the management team to execute our strategy.

Our ambition to create the future of audio entertainment will increasingly resonate with audiences and advertisers as digital platforms such as iHeartRadio grow in relevance and investments we are making in new technologies and data drive stronger results to better engage, influence and drive audience behaviour and client solutions.

Our management team, led by Ciaran Davis, have done a great job repositioning the business over the past few years and I thank them for their commitment.

On behalf of the Board, I would also like to thank our shareholders for their ongoing support and all HT&E employees for their commitment and dedication to the Company and I look forward to working with you in 2019 and beyond.

**Hamish McLennan**
Chairman

# Chief Executive Officer's Report

**HT&E operates one of Australia's leading metropolitan radio networks, encompassing a comprehensive broadcast, digital, social and streaming suite of assets with a clear vision to create the future of audio entertainment.**

## *2018 financial result*

2018 statutory revenue from continuing operations was up five per cent to $271.8 million, and EBITDA from continuing operations before exceptional items was up seven per cent to $71.8 million, largely in line with expectations.

Net cash of $128.4 million gives HT&E one of the strongest balance sheets in the media sector, at a time of increasing ownership change and consolidation.

Since the sale of Adshel, the Company has commenced restructuring the organisation to take account of the portfolio of assets in the business. A program of corporate cost reduction is underway that will continue into 2019 to ensure we have a head office cost base in line with the size of the business.

## *Our businesses*

### Australian Radio Network (ARN)

ARN implemented a strategy focused on ratings growth and commercial success in 2018 and ended the year experiencing growth across a number of FM stations and Breakfast shows in the network, culminating with the highest ratings in the history of the Company.

Three new breakfast shows were launched on KIIS 101.1 and GOLD 104.3 in Melbourne and 96FM in Perth, and a new national Drive show commenced across the KIIS network.

Jase & PJ, Christian O'Connell, Paul & Lise and Will & Woody have joined our established on-air stars across the network, all collectively focused on driving listener engagement and delivering better value for clients.

We continue to engage with audiences to understand where we can improve our offering and are confident that 2019 will yield further ratings success. Our ambition remains to be the clear number one national network; we believe we have the talent to do that and we will continue to allocate resources to achieving this outcome.

Conversant Media was integrated into ARN in 2018. 'The Roar' is now a dedicated content vertical within the ARN team that will deliver Australia's largest user-generated sports content across audio, broadcast, social and digital platforms and provide new commercial opportunities.

Revenue for the year was up three per cent ($6.1 million) in a market that grew 3.5 per cent. The market softened in the second half, delivering growth of 1.3 per cent after being up 5.9 per cent year on year in the first half.

Costs for the year were up $4.8 million, driven by revenue related costs and the reinstatement of prior year marketing savings and investment in promoting and marketing of our new shows.

Overall, EBITDA was up by $1.2 million, with the EBITDA margin maintained at 36 per cent.

iHeartRadio continues to expand our ability to drive a broad range of audio content outside of radio to new and existing audiences. This multi-platform brand and talent offering is creating an unrivalled commercial proposition in market for advertisers that will grow in importance and commercial attractiveness over the coming years as the audio consumption habits of our audiences broaden.

### Adshel

Adshel set about reinstating its national digital network during 2018 with significant progress being made up until Adshel's sale in September. Further contract wins and renewals, and launch of market leading digital and data capability was engaging advertisers in new and different ways.

In April, HT&E was approached with an offer of $420 million to acquire Adshel. A well-executed, highly competitive process ultimately led to the business being sold to oOh!media for $570 million, with the transaction announced on 25 June and completed on 28 September after Australian Competition and Consumer Commission (ACCC) clearance was obtained.

The sale of Adshel for $570 million delivered compelling value for shareholders in a consolidating out of home industry, and a significant value uplift for shareholders of over $340 million over HT&E's net cash investment of approximately $230 million.

### Hong Kong Outdoor (CODY)

One of the standout performances in 2018 was from Cody, where the business successfully returned to operating profitability for the first time since 2015.

While improvement in market conditions assisted, it was the careful management of the contract portfolio and selective upgrading of premium tram shelters that drove revenue growth of HKD 30.5 million, or 20 per cent. Strict cost management saw cost savings of HKD 11 million, delivering EBITDA of HKD 7.2 million for the year, compared to a loss of HKD 10.2 million (HKD 34.3 million prior to the Buzplay contract provision release) in 2017.

At the end of 2018, Cody has a portfolio of profitable contracts and a lean overhead base. New contract opportunities will be explored from 2019 subject to them meeting strict capital management criteria.

### Digital investments

In 2018, Gfinity Australia (Gfinity) launched its inaugural Elite Series. Across two seasons, Gfinity hosted its unique competitive framework across 14 weeks of competition for six teams playing three leading game titles; broadcast to Twitch, Facebook, Twitter, YouTube and Ten Network from a world-class, purpose built esports arena built in conjunction with HOYTS; engaged with more than nine million unique and principally harder-to-reach younger audience; and secured meaningful sponsorship revenue from sponsors.

Gfinity is in the early stages of development as a commercial medium with varied business models being pursued domestically and internationally. With our joint venture partners, we continue to assess our options in this area with a view to breaking even in 2020.

Emotive had another successful year with increased earnings and gross margin. This ongoing improvement was secured on the back of strong client retention and new clients wins. Emotive continues to produce global and domestic award winning work and has recently launched its 'Social to Scale' creative process to adapt to the changes in the marketing landscape.

HT&E's investment in Unbnd is tracking to plan, with a new virtual and augmented reality content platform due to be released in early 2019 with some exciting content partnerships in various stages of development.

Soprano Design, in which HT&E has a 25% investment, continues its momentum through market, channel and customer acquisition and growth. The business manages more than three billion trusted mobile interactions per annum, for some of the largest enterprises and governments in 14 countries. Soprano paid HT&E a $1.25 million dividend during 2018.

## *2019 focus*

After a number of years successfully repositioning HT&E's portfolio of assets, exiting declining industries, eliminating debt and operating in growth sectors of media in Australia, 2019 will see HT&E focus primarily on ARN's broadcast, digital, social and streaming suite of assets with a clear vision to create the future of audio entertainment.

We have put plans in place for 2019 to deliver increasing value for shareholders by driving and delivering operational performance and reducing corporate costs. We are undertaking an on-market share buyback that we expect to drive earnings per share accretion.

We also have an eye to the broader media industry, following a number of changes of ownership and the beginnings of consolidation during 2018. We anticipate this will continue during 2019 and HT&E's balance sheet strength provides optionality to look at the right strategic opportunities for the business if they arise.

## *Support*

I would like to take this opportunity to thank all of our staff at HT&E for their contribution to the Group in 2018. Through a period of on-going change, our teams continue to demonstrate strong commitment to the business.

I would also like to thank our shareholders for their support and look forward to working with you as we set about realising our goals and focus on delivering value in 2019 and beyond.

**Ciaran Davis**
Chief Executive Officer (CEO)
& Managing Director

# Operating & Financial Review

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

## *Performance overview*

HT&E Limited (HT&E or the Company) results for 2018 were impacted by the disposal of Adshel for $570 million, announced on 25 June and completed on 28 September. Statutory results for 2018 treat Adshel as a discontinued operation for the full year. Adshel's performance for the nine months that it was owned by HT&E is discussed on the following pages.

Segment revenue from continuing operations was up five per cent to $271.8 million from $259.9 million. $6 million is attributable to market and share gains at Australian Radio Network (ARN), $5.7 million due to improved market conditions and sales effectiveness at Cody in Hong Kong, offset by declines at Conversant Media (Conversant), particularly in the first half. Conversant has been fully integrated into ARN. Segment costs were up three per cent to $207.9 million from $201.6 million; most of this growth was in ARN, driven by revenue growth and capability investment in staff, marketing, talent and platforms across the business. Segment earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations and before exceptional items was up seven per cent from the corresponding period to $71.8 million.

Depreciation related to continuing operations decreased from $4.8 million to $3.9 million in 2018. With the sale of Adshel, acquisition amortisation has been included in discontinued operations; amortisation from continuing operations was $0.8 million, in line with $0.9 million in 2017. As a result, segment earnings before interest and tax (EBIT) from continuing operations and before exceptional items was up nearly 10 per cent from the corresponding period to $67.2 million. Net interest expense declined on lower debt levels, including after the repayment of all drawn debt from the Adshel sale proceeds, while continuing operations tax expense increased in line with the earnings uplift.

Net Profit After Tax attributable to shareholders (NPAT) from continuing operations and before exceptional items was up 23 per cent to $36.7 million, compared to $29.7 million in 2017. Profit from discontinued operations of $188.8 million reflects Adshel's performance for the nine months under HT&E's ownership, including a gain on sale of $164.8 million (after transaction and related costs). No impairments have been recognised in 2018. Statutory NPAT attributable to shareholders for the year was therefore a profit of $225.5 million, compared to a loss of $117.5 million in 2017.

Following a period focusing on our core assets of radio and outdoor, integrating 2016 acquisitions and achieving operational and financial improvements, 2018 saw significant attention directed to the Adshel sale and resulting reorganisation, which is ongoing.

After a number of well-publicised talent changes at the beginning of 2018, ARN had its best ever ratings year in 2018 and remains the number two national network, less than one share point behind the market leader. Revenue share gains were achieved in H1 before the radio market softened in H2; while the market grew 5.9 per cent in the first half, it was up 1.3 per cent year on year in the second half. Over the full year, ARN revenue was up three per cent, with first half growth of 8.7 per cent offset by 2.9 per cent decline year on year in the second half. Costs in ARN were up 3.3 per cent. As a result, EBITDA was up by $1.2 million, or one per cent, for the year.

Adshel revenue and costs were down 32 per cent and 31 per cent respectively in the nine months to September 2018 on the loss of the Yarra Trams contract in late 2017. Significant progress was being made to replace inventory in central Melbourne, and new capability was deployed to maximise flexibility and scale of the digital network. Up to 28 September 2018, Adshel EBITDA was $33.7 million.

The table on page 7 reconciles the Group's segment result from continuing operations before exceptional items to the statutory result including discontinued operations. Exceptional items in 2018 comprise of non-recurring gains and losses arising during the year, including the profit on sale of Adshel of $174.2 million, the Conversant earn out release of $1.4 million less Hong Kong decommissioning costs of $0.5 million. Further details are included in note 1.3 to the consolidated financial statements.

| Financial performance | Segment result | | Exceptional items[3] | | Statutory result | |
|---|---|---|---|---|---|---|
| AUD million[4] | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenue | 271.8 | 259.9 | – | – | 271.8 | 259.9 |
| Other income | 7.4 | 7.4 | – | – | 7.4 | 7.4 |
| Share of profits of associates | 0.5 | 1.3 | – | – | 0.5 | 1.3 |
| Costs | (207.9) | (201.6) | 0.9 | 4.5 | (207.0) | (197.1) |
| **EBITDA[1]** | **71.8** | **66.9** | **0.9** | **4.5** | **72.7** | **71.4** |
| Depreciation | (3.9) | (4.8) | – | (0.8) | (3.9) | (5.6) |
| Amortisation | (0.8) | (0.9) | – | – | (0.8) | 0.9) |
| **EBIT[2]** | **67.2** | **61.2** | **0.9** | **3.7** | **68.1** | **64.9** |
| Net interest expense | (6.0) | (9.1) | – | – | (6.0) | (9.1) |
| **Net profit before tax** | **61.2** | **52.1** | **0.9** | **3.7** | **62.1** | **55.8** |
| Tax expense | (19.0) | (16.2) | (0.0) | (1.2) | (19.1) | (17.4) |
| **Net profit after tax** | **42.2** | **35.9** | **0.9** | **2.5** | **43.0** | **38.4** |
| Profit attributable to non-controlling interests | (5.5) | (6.2) | – | (0.3) | (5.5) | (6.6) |
| **NPAT attributable to HT&E shareholders from continuing operations** | **36.7** | **29.7** | **0.9** | **2.2** | **37.5** | **31.9** |
| Profit/(loss) from discontinued operations | 13.8 | 13.2 | 174.2 | (162.5) | 188.0 | (149.4) |
| **NPAT attributable to HT&E shareholders** | **50.5** | **42.9** | **175.0** | **(160.4)** | **225.5** | **(117.5)** |

(1) EBITDA from continuing operations and before exceptional items, represents the Group's total segment result.
(2) EBIT from continuing operations and before exceptional items.
(3) Refer to note 1.3 of the consolidated financial statements for further details.
(4) Totals may not add due to rounding.

## *Balance sheet and cash flow*

The Group had net assets at 31 December 2018 of $572.1 million. The parent entity's interest in the net assets decreased by $50.5 million during the year.

The sale of Adshel for $570 million, completed in September, saw a material change in the composition of HT&E's balance sheet. Drawn debt was fully repaid, a fully franked dividend of $222 million was declared and paid in October, and an on-market, equal access share buyback commenced in early December. At the end of the year, HT&E retained $128.4 million in cash on its balance sheet.

High quality talent engaging audiences across Australia.

On 22 January 2018 and 1 May 2018, the Australian Taxation Office (ATO) issued amended income tax assessments pertaining to the matter disclosed in the 2016 and 2017 Annual Report. HT&E remains satisfied that its treatment of this matter is consistent with relevant taxation legislation. The Company has not accrued any amount in relation to the dispute in the 2018 balance sheet. HT&E has lodged all required objections with the ATO and if necessary, will contest the amended assessments through litigation proceedings. $50.7 million has been deposited with the ATO while these dispute processes are being completed. Final resolution of this matter could take several years.

With net debt fully repaid, the balance sheet is very strong. The Group retains $256 million in undrawn facilities, sufficient to cover any outcome on the dispute with the ATO. These debt facilities were extended during 2018, with the majority not expiring until 2023.

Excluding $50.7 million prepayment of tax, operating cash flow was $45.5 million, down 40% from the 2017 result. This was due to only nine months of Adshel cash flow and ordinary tax instalment catch up. Significant dividends were paid in 2018, with $21.6 million paid to shareholders via final 2017 and interim 2018 payments, and $222.4 million via a special fully franked dividend in October. $39 million was incurred on the buyback in 2018. $20.6 million was spent on capital expenditure in 2018, compared to $15.5 million in 2017. Capital expenditure was predominantly in Adshel where network asset deployment and digitisation continued. Post the sale of Adshel, HT&E's capital expenditure in 2019 will predominantly relate to radio maintenance activities, with a one-off increase for one office move and one radio station refurbishment currently underway.

A final dividend of 4 cents per share was declared for 2018 and is payable in March 2019.

Operating & Financial Review

# Australian Radio Network

**ARN delivered its best ever ratings result in 2018 and remains a leading national radio network in Australia, with the country's best on-air talent and a re-energised content strategy.**

## *Solid performance in 2018*

As flagged in the 2017 Annual Report, three new breakfast shows and a new national drive show were launched during 2018. Performance of these shows assisted in delivering the best ever ratings result for ARN. More broadly, ARN's ratings continue to reflect ARN's strategy of understanding what our audience wants; investing in and supporting the best talent in the Australian radio sector to create market leading content; and effectively promoting that content. What is between the songs is more important than the songs themselves.

The sector has demonstrated long-term growth in both listenership and revenue, and live Australian radio remains the dominant audio platform, accounting for 62.3 per cent of time spent listening to audio[1]. Importantly, ARN's broad iHeartRadio offering provides access to other growing audience platforms, including podcasting, smart speakers and in-car dashboards, ensuring ARN's content can be heard by audiences wherever and whenever they want.

The Australian radio advertising market had a mixed year. In the first half the market was up 5.9 per cent on same period in 2017. The market softened significantly in H2 and growth was 1.3% on 2017.

| AUD million[2] | 2018 | 2017 |
|---|---|---|
| Revenue | 235.5 | 229.4 |
| Costs | (150.9) | (146.1) |
| Segment EBITDA | 84.6 | 83.4 |
| Depreciation and amortisation | (4.1) | (5.0) |
| EBIT | 80.5 | 78.4 |

Against that backdrop, ARN's revenue performance was solid with full year revenue growth of three per cent, in line with market growth. Costs were up 3.3 per cent, driven by higher variable cost of sales on higher revenue, reinstatement of prior year marketing savings, increase in promotion and marketing to launch the four new shows, and further investment in capability, especially with regards to ARN's non-traditional broadcast product offerings. As a result, EBITDA was up by $1.2 million or 1.5 per cent for the year, delivering a healthy EBITDA margin of 36 per cent.

## *Australia's leading on-air talent driving strong ratings*

ARN has Australia's leading on-air personalities, with key talent locked in for at least the next two years across the KIIS and Pure Gold networks.

After the strong finish in 2017, ratings in 2018 reflected some expected audience churn following the launch of new shows in Melbourne, Perth and Brisbane, as well as a new national drive show on KIIS. Ratings improved post launch, with all starting to deliver on expectations. Despite these changes impacting survey one, ARN regained its position as number one national 10+ network position in surveys three to five. ARN delivered the best ever ratings results in 2018 and ended the year as the number two national radio network in Australia, less than one share point behind the market leader.

In Sydney, ARN dominated FM breakfast, holding the number one and number two FM spots for all of the eight surveys. After holding number one or two station positions for six of eight surveys, KIIS 1065 and WSFM ended the year as number two and three station respectively. KIIS 1065's Kyle & Jackie O and WSFM's Jonesy & Amanda achieved outstanding results in Survey 8 (2018 10+ Breakfast), with a 10.5 per cent and nine per cent share respectively. In 2018, Kyle & Jackie O also won the highly coveted Australian Commercial Radio Award for best on-air team for the second time since joining ARN.

In Melbourne, ARN made a number of significant changes in 2018. In January, KIIS 101.1 Breakfast was relaunched with Jase & PJ, while in June Gold 104.3 launched the Christian O'Connell Breakfast show. After expected audience churn, ratings of both shows and their respective stations are improving. Importantly, ARN is beginning to achieve significant commercial improvements with new talent in place. The last three surveys of 2018 saw consistent ratings growth for both stations as these new shows become embedded in the Melbourne radio landscape.

1. 2018 GfK Share of Audio study, Commercial Radio Australia.
2. Results include Conversant Media before intercompany eliminations. Refer to note 1.3 to the consolidated financial statements for further details. Totals may not add due to rounding.

Brisbane was one of the most competitive radio markets in Australia in 2018, with five changes in station leadership during the year. 97.3FM ended the year as number four FM breakfast in a very tight market. 4KQ retained its position as number one AM station overall, and number two AM commercial breakfast.

Mix102.3 maintained its lead in Adelaide, finishing the year as the number one station overall with an increased share of 12.9 per cent, and the number one 10+ FM breakfast show.

In Perth, the Paul & Lise breakfast show is gaining traction in a market dominated by strong long-standing teams with a strong improvement in Survey 8. We continue to explore opportunities to improve 96FM's offering.

ARN also launched a new national Drive show, Will & Woody across the KIIS network in 2018. The show successfully drove greater appeal for national advertisers and achieved number one ratings in several surveyed market books in 2018.

## *The future of audio entertainment*

ARN's vision is to create the future of audio entertainment in Australia.

iHeartRadio, the global music streaming and digital entertainment brand, is a key component in ARN's future and a driver of audio content. The iHeartRadio app has now surpassed 1.8 million downloads and with more than 1.2 million registered users generating over 3.7 million hours of listening per month.

While DAB+ is one of many ways ARN distributes its content, iHeartRadio provides live radio, on-demand radio, podcasting and music streaming all within the one platform. It also enables a significantly better audience profiling through the collection of data – something DAB+ on its own cannot do.

Dynamic ad insertion is now common on the iHeartRadio platform, with advertising programmatically inserted based on user profiles. "Shake Me" interactive advertising was launched during 2018 with campaigns sending data to users who shake their phones during certain advertisements, providing instantaneous feedback to advertisers and offers to consumer mobile devices. As flagged in 2017, partnerships with Whooshkaa, Spreaker and others have created the biggest library of podcasts in the country, with over 2.2 million episodes that are in the early stages of commercialisation.

The iHeartRadio app is also being integrated into voice-activated products to accelerate the platform's availability across a range of devices, including Apple CarPlay, Android Auto and smart speakers including Google Home and Amazon's Alexa. iHeartRadio's integration into these new, voice-activated, consumer audio products, drove an increase in the usage of iHeartRadio in the second half of the year. In December, more than 332,000 hours of radio content was consumed by Google Home and Amazon Alexa owners alone.

## *Digital and talent focus*

In 2019, ARN will continue to leverage its strength in content creation and high quality talent to deliver engaged audiences and connect them with advertisers and clients. Integration of The Roar and focus alongside KIIS and Pure Gold network, The Edge and iHeart Radio will redefine ARN's digital proposition and increase the breadth of our audio content availability across multiple platforms.

*Ensuring our content can be heard when, where and how a consumer wants is at the forefront of ARN's strategy.*

In 2018, Gold 104.3 launched the Christian O'Connell Breakfast Show.

Operating & Financial Review

# Adshel

## The sale of Adshel for $570 million delivered compelling value for HT&E shareholders in a consolidating out of home industry.

### *Significant progress prior to sale*

Adshel management set and began implementing a plan to reinstate the Melbourne digital network, immediately following the announcement of the loss of the Yarra Trams contract in October 2017. Significant progress was made up to the date of sale, with digital assets deployed into the new Metro Trains Melbourne contract, and commencement of digitisation of the existing Public Transport Victoria contract. As a result, by the end of September the impact of the Yarra Trams contract loss was much less than anticipated. For the nine months to 28 September 2018, compared to the same period in 2017, while revenue was six per cent lower, costs were seven per cent lower and as a result EBITDA was down less than $1 million period on period.

Adshel was also making significant progress with its contract renewals. Key contracts including Ryde and Lane Cove were renewed during the period, while Hunters Hill was successfully won from a competitor. The Sydney Trains, Perth and Adelaide contracts were also extended. Significant progress was also being made with both the renewal of Brisbane City Council, and in partnership with Optus, Adshel's preparation for the City of Sydney tender was well advanced.

Adshel continued to implement industry leading developments in digital, data and technology. Advertiser interest and uptake in Adshel's "Time / Day / Location" capability, launched in May, were growing rapidly at the time of the Adshel sale.

| AUD million[2] | 2018 | 2017 |
|---|---|---|
| Revenue | 153.3 | 225.7 |
| Costs | (119.6) | (174.3) |
| Segment EBITDA | 33.7 | 51.5 |
| Depreciation | (7.7) | (17.6) |
| EBITA | 25.8 | 34.0 |


High quality light boxes at numerous tram shelter locations

### *Competitive sale process*

The sale of Adshel to oOh!media in September 2018 came after a highly competitive process that achieved a sale price of 12.6x LTM pro-forma EBITDA[1] of $45.4 million. The sale delivered compelling value for HT&E shareholders in a consolidating out of home industry, assessed against fundamental value and having had regard to transaction costs and potential dissynergies from separating Adshel from the remainder of the HT&E business. The sale price represented significant value uplift of over $340 million, compared to HT&E's approximately $230 million net cash investment in Adshel. It was also a premium to the $268 million paid for the second half of Adshel in October 2016 and secured for HT&E shareholders a share of synergies likely to be achieved by oOh!media.

The sale proceeds allowed HT&E, amongst other things, to strengthen its balance sheet via the pay down of existing debt. Shareholders also benefited via a fully franked special dividend of $222 million that was paid in October 2018, and an on-market share buyback that commenced in December and remains ongoing.

# Hong Kong Outdoor (Cody)

Cody, HT&E's outdoor business, had a much better year in 2018. As flagged in the 2017 Annual Report, Cody returned to profitability in 2018 for the first time since 2015. Revenue was up 20 per cent in local currency to $180.9 million, driven by effective monetisation of the streamlined contract portfolio and full year impact of the Hong Kong tram shelter contract. Costs were down six per cent in local currency, following the savings implemented in 2017 and continuing strict cost management. Forward bookings in 2019 have been encouraging to date.

In 2018, Cody invested in a number of tram shelter improvements, including the installation of a number of high quality light boxes. Additionally, a number of strategic contracts will be up for tender over the next 12-18 months and Cody is positioning itself to pursue appropriate opportunities should they become available.

1. LTM Pro-forma EBITDA to May 2018 removes the direct EBITDA contribution of the Yarra Trams contract for the period from June to November 2017 and does not include normalisations or pro-forma adjustments for the full year run rate of the impact of renewals, certain new contracts secured and associated digitisation.
2. 2018 result represents nine months ownership. Totals may not add due to rounding.

# Investments

## There were several key developments across HT&E's digital investments in 2018.

### *Gfinity Australia*

Gfinity Australia (Gfinity) successfully launched its inaugural city-based, professional esports franchise league, the Elite Series in June 2018 and held the second season from November. In a nascent industry, Gfinity ran two high quality, seven week tournaments with six teams, playing Counterstrike: Global Offensive, Street Fighter V and Rocket League from a purpose-built, dedicated esports arena at HOYTS Entertainment Quarter in Sydney. Significant commercial partnerships were secured with Dell gaming brand, Alienware, Logitech and Dare Ice Coffee. Excellent brand exposure was delivered for these partners via integrated content in the 77 hours of live broadcast for Season 1. The first ever commercial arrangement with online platform Twitch meant exclusive streaming on this platform, with one of the sessions each week simulcast on Ten Network's ONE. For Season 2, a deal was also secured to broadcast two hours of the Rocket League tournament on 10 Peach, with a more youthful audience. In addition, a relationship was established with crypto currency and blockchain company, Incent Loyalty, to reward viewers for increased engagement and providing data.

Despite momentum building over the year, and revenue in excess of $1.6 million, start-up and operating costs meant the business incurred an EBITDA loss of $4.4 million in 2018. This was largely in line with our expectations of the first year performance when we entered into the joint venture to launch eSports in Australia.

Plans are being developed to reduce this loss in 2019. The esports market is still developing and while we are pleased with the progress we are making in establishing Gfinity as the leading provider of integrated esports solutions, we have revised our opex number down from previous estimate of $10 million with a view to breaking even in 2020.

### *Emotive*

Emotive performance was consistent year on year. Gross margin improved from 65 per cent to 88 per cent and earnings were up 5.7 per cent, While Emotive continues to be one of the leading social video content agencies in the country with a number of awards in 2018, including two global and a domestic award for Audible's "Said I Loved You But I Lied" campaign featuring Michael Bolton. Emotive also won the 2018 Mumbrella Awards for "Best of Use of Film Craft/Best Execution" and "Best Branded Entertainment (Fiction)" for Unilever's Lynx campaign featuring Julian Dennison.

The business continued to expand its client base, with Transport NSW considered a major win in 2018. In December 2018, Emotive announced an agency re-brand, including a new brand identity, strategic positioning and a consumer centric creative process titled 'Social to Scale'. The changes see Emotive evolve from a former video content marketing specialist to a full-service creative agency delivering content, ads and experiences. The 'Social to Scale' creative process is designed to adapt to changes in the marketing landscape. At a time when ad formats are being shortened and marketing is becoming increasingly transactional, Emotive flips the traditional creative process by testing and learning via long form social and using those in-market learnings to further develop the best possible scale-able assets.

Gfinity Elite series was hosted in a new dedicated Esports arena at HOYTS Entertainment Quarter.


1. Newzoo Free 2017 Global Esports Market Report.

# Corporate Social Responsibility

**HT&E recognises the importance of our people to the Company's success and seeks to continuously engage with the communities we operate in.**

## *Empowering our teams*

At HT&E, we understand people are key to our business success. We are committed to listening and providing our teams with continuous learning opportunities and safe, inclusive and respectful working environments. HT&E encourages a healthy work-life balance, offering flexible work hours, and supporting each business across the Group to implement initiatives that improve the wellbeing of their teams and build a positive employment culture.

In 2018, ARN significantly increased its Learning & Development (L&D) commitment with over 16,000 training hours delivered nationally via internal platforms 'Thrive' and 'EmpowerMe' and external providers. Leadership, resilience, mental health, sales and digital media upskilling, Privacy and Cyber Security awareness were key focuses for the L&D program.

ARN participated in its first 'Diversity, Inclusion and Engagement' survey with the outcomes driving future people and performance initiatives.

Across the Group, HT&E empowers our people to contribute to the diverse communities we connect with every day through programs such as the ARN Goodness Project.

## *Giving back to our communities*

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

*ARN Community Service Announcements worth $8.2 million*

Community Service Announcements (CSA) allow us as a business to give back to the community by helping raise awareness on community and health issues as well as aid and relief services. Fundraising events are also promoted via CSA, giving our audiences the opportunity to get involved and contribute to charities and community events. These charities include Australian Red Cross, Ovarian Cancer Australia, UNICEF, HeartKids, Family Peace Foundation and many more.

HT&E's digital publishing business Conversant Media delivered three campaigns for not-for-profit organisations in 2018 across its websites, including support for Surf Life Saving Australia and Movember Foundation. Paid campaigns for the New South Wales Government's 'Pretty Shady' skin cancer awareness initiative continued to run in 2018.

Conversant brand The Roar launched the Club Roar Awards in 2017, an initiative to give back to local sporting clubs and highlight up-and-coming sporting talent by encouraging Australian sports fans to publish videos of their best and worst sporting moments. Two rounds of Awards ran in 2018, with $20,000 in total cash prizes presented to fans and sports clubs.

## *Environmental initiatives and sustainable solutions*

HT&E recognises that implementing best practice environmental initiatives is not only good for the planet, but also makes good business sense. As a media organisation, we understand our responsibility to demonstrate leadership in this space, always complying with relevant legislation and seeking to implement sustainable solutions.

The business continues to invest in and explore new ways to minimise energy consumption and to reuse and recycle all by-products to help protect the environment.

# Case studies

## The ARN Goodness Project

The ARN Goodness Project was launched in 2017 as an opportunity for our employees to 'give back' and share 'goodness' out in the broader community. A partnership was established with UnLtd, a foundation that connects youth charities with the Australian media and marketing industry, tackling every form of youth disadvantage including mental health, trauma, abuse, neglect, homelessness, isolation and education. Through this partnership, we have worked with two charities aimed at putting the spotlight on youth disadvantage: Batyr and Musicians Making a Difference (MMAD).

With the launch of The Goodness Project, ARN has been able to harness our people's creativity and ideas to build awareness and provide an ongoing platform to raise funds for these charities. As part of ARN's commitment to The Goodness Project, a charity day to devote time, skills and expertise has been offered and encouraged to all ARN staff.

The ARN Goodness Project team also hosts a variety of informative "Lunch Bites" sessions featuring guest speakers, including psychologists and relationship professionals. These sessions provide insight into a variety of topics including identifying, approaching and supporting potential mental health issues in family, friends and colleagues in the workplace.

The Goodness Project team also work to raise much needed funds for our charities, including giving staff the opportunity to win tickets to some of the biggest concerts in town via employee raffles. ARN also showed support via attendance and donation of prizes to our charity events, including the Batyr Blue Tie Ball, for the second consecutive year.

## OzHarvest

ARN has partnered with OzHarvest as their official Community Media Partner to reduce food waste and alleviate hunger through broadcasting campaign messages and appeals.

ARN will be utilising all 12 radio stations nationally, in order to raise brand awareness, effect behaviour change and provide campaign support in raising funds. Integrated campaign support will also be provided through social and online platforms to promote 100th million Meal Appeal, Christmas Appeal, Tax Appeal, Fight Food Waste, CEO CookOff and other OzHarvest brand campaigns.

A bespoke partnership plan has been created which will include volunteering opportunities for ARN employees nationally at the OzHarvest Market and a "Lunch Bites" information session presented to all staff about Australia's food waste and what we can do to minimise our impact on landfill.

## 2018 Gold Appeal

ARN was once again a proud partner of the Sydney Children's Hospitals Foundation in 2018, helping to raise funds for the 2018 Gold Appeal.

Led by WSFM's Jonesy & Amanda, ARN delivered a six week campaign, incorporating talent voiced promotional spots and live mentions, plus the very first 'Celebrity DNA Auction', running throughout May and June to raise funds for the appeal. Jonesy & Amanda's Celebrity DNA Auction featured items from their "DNA Cupboard" which had been collected over the past few years from some of their biggest guests including items from Nigella Lawson, Hugh Jackman and Patrick Dempsey.

Support was also provided across KIIS 1065 and The Edge96.One throughout May and June, with live mentions and online and social activity. A CSA schedule on all three stations complemented the promotional support with a value of $225,000 in airtime.

# Board of Directors

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

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

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

**Committees**
Audit & Risk, Nomination and Governance, and Remuneration Committees.

**Other Directorships and offices**
Director of REA Group Ltd (Chairman), Magellan Financial Group Limited and Garvan Institute of Medical Research (Fundraising Board).

**Previous directorships of other Australian listed companies (last three years)**
iProperty Group Pty Ltd (from 16 February 2016 to 6 February 2019) (delisted).

**CIARAN DAVIS**
*CEO & Managing Director*
(since 24 Aug 2016)

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

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

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

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

**BELINDA ROWE,** BA
*Non-executive Director*
(since 5 Feb 2019)

Belinda Rowe has worked across the media industry in a number of global roles.

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

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

**Committees**
Nil.

**Other Directorships and offices**
Nil.

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

**PAUL CONNOLLY,** BComm, FCA
*Non-executive Director*
(since 18 Oct 2012)

Paul Connolly has 25 years' experience advising on mergers and acquisitions, takeovers, disposals, fundraisings and initial public offerings.

Since 1991, Paul has been Chairman of Connolly Capital Limited, a Dublin-based corporate finance advisory firm focused on the telecom, media and technology sectors. He was a Director of Esat Telecommunications Limited, an Irish telecommunications company, from 1997 to 2000, and then a Director of Digicel Limited from 2000 to 2006, a Caribbean-based telecommunications company. In addition, he was a Director of Melita Cable PLC from 2007 to 2016 and a Director of Independent News & Media PLC from 2009 to 2018. From 1987 to 1991, he held the position of Financial Controller of Hibernia Meats Limited and prior to that, he worked with KPMG as an accountant.

**Committees**
Nomination and Governance (Chair), Audit & Risk and Renumeration Committees.

**Other Directorships and offices**
Director of Polaris Principal Navigator Ltd (private Irish company), Connolly Capital Limited (Chairman), Tetrarch Capital Limited (Chairman), Tetrarch Group PLC (Chairman), Communicorp Group Ltd, Business & Finance (private Irish business media group) and UNICEF Ireland (Chairman).

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

**ROGER AMOS,** FCA, FAICD
*Non-executive Director*
(since 30 Nov 2018)

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

**Committees**
Audit & Risk (Chair), Remuneration (Chair) and Nomination and Governance Committees.

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

**Previous directorships of other Australian listed companies (last three years)**
Enero Group Limited (from 23 Nov 2010 to 18 Oct 2018)

# Senior Management Team

**CIARAN DAVIS**

*CEO & Managing Director, HT&E*

Refer to biography on page 14.

**JEFF HOWARD**

*Chief Financial Officer, HT&E*

Jeff Howard joined HT&E in 2010 and was appointed Chief Financial Officer in December 2012. Jeff spent more than nine years with ABN AMRO and RBS in corporate lending and broader relationship banking roles that included a focus on the telecommunications and media sectors. Prior to this, he was with KPMG where he spent nearly 10 years in audit and project roles, including a secondment to KPMG's Philadelphia practice. He completed his Executive MBA with the Australian Graduate School of Management in 2005, and is a Graduate of the Australian Institute of Company Directors and a Chartered Accountant.

Jeff is a Director of a number of HT&E subsidiaries and joint venture entities.

**YVETTE LAMONT**

*Group General Counsel and Company Secretary, HT&E*

Yvette Lamont was appointed Group General Counsel and Company Secretary of HT&E in 1998. Yvette was previously General Counsel of pay television company Australis Media Limited (Galaxy), a Senior Associate with law firm Allens (in the Media and Technology Group) and a solicitor with boutique law firm Boyd, House & Partners (specialising in media law and in particular commercial radio). She is a member of the Media and Communications Committee of the Law Council of Australia, a Graduate of the Australian Institute of Company Directors, and has completed the Company Meetings and Company Secretarial Practice courses with the Governance Institute of Australia. She is admitted as a solicitor to the Supreme Court of New South Wales and the High Court of Australia.

Yvette is a Director of a number of HT&E subsidiaries.

**ROB ATKINSON**

*Chief Executive Officer, ARN*

Rob Atkinson was appointed Chief Executive Officer of ARN in April 2017. Rob joined Adshel in his previous role as CEO in November 2011, having previously held the position of Chief Operating Officer of Clear Channel UK. He originally joined Clear Channel as Sales Director in 2005, before being promoted to Group Sales Director and then Managing Director in the same year (2008). Prior to joining Clear Channel, he held various senior sales roles at Associated Newspapers in both London and Dublin and won the prestigious Campaign Magazine UK Sales Leader of the Year in 2009. As CEO at Adshel, he pioneered the launch of the world's first national digital street furniture network, as well as the biggest national deployment of beacons in the world. In the past four years he has been shortlisted three times for both Australian CEO of the Year, and Media Executive of the Year, by the prestigious CEO Magazine.

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# Directors' Report

## CORPORATE GOVERNANCE STATEMENT

The Board of HT&E endorses good corporate governance practices and oversees an organisation–wide commitment to high standards of legislative compliance and financial and ethical behaviour.

The Directors' overriding objective is to increase shareholder value within an appropriate framework that protects the rights and enhances the interests of all shareholders and ensures the Company is properly managed.

The Company has considered the best practice recommendations established by the ASX Corporate Governance Council *Corporate Governance Principles and Recommendations* (**Recommendations**) and has complied with those Recommendations for the entire reporting period (unless otherwise indicated in the Company's Corporate Governance Statement).

A description of how the Company's main corporate governance practices and policies, together with the policies and charters referred to in it, is available on the Company's website, www.htande.com.au/corporate-governance.

## DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of HT&E and the entities it controlled at the end of, or during, the year ended 31 December 2018. Throughout this report, the consolidated entity is also referred to as the Group.

### 1. DIRECTORS

The Directors of HT&E Limited during the financial year and up to the date of this report consisted of:

*Current*

Hamish McLennan (Chairman) (appointed 30 October 2018)
Paul Connolly (appointed 18 October 2012)
Roger Amos (appointed 30 November 2018)
Belinda Rowe (appointed 5 February 2019)
Ciaran Davis (CEO & Managing Director)

*Former*

Peter Cosgrove (retired 30 June 2018)
Peter Cullinane (retired 7 May 2018)
Christine Holman (resigned 3 December 2018)
Robert Kaye (appointed 19 February 2018, resigned 11 September 2018)
Anne Templeman-Jones (resigned 14 May 2018).

Details of the current Directors' qualifications, experience and responsibilities are set out on pages 14 and 15.

### 2. QUALIFICATIONS AND EXPERIENCE OF COMPANY SECRETARY

Refer to page 16 for the qualifications and experience of the Group General Counsel and Company Secretary, Yvette Lamont.

### 3. PRINCIPAL ACTIVITIES

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

HT&E owns ARN, Australia's leading metropolitan radio broadcaster and home to the national KIIS and Pure Gold networks and youth radio network The Edge. ARN also operates music streaming, digital entertainment and live events brand iHeartRadio, a content creation business Emotive, and after full integration in 2018, Conversant Media which produces engaging premium websites, including Australia's leading sports opinion website, The Roar.

HT&E also owns Cody Out-of-Home in Hong Kong, which has a network of over 450 outdoor advertising panels across major Hong Kong tunnels as well as the iconic tram shelters on Hong Kong Island.

Other HT&E investments include esports business Gfinity Esports Australia, virtual reality content and platform business Unbnd, and global provider of mobile messaging technology Soprano Design.

# Directors' Report

In September 2018, HT&E completed the sale of Adshel to oOh!media Limited for an enterprise value of $570 million. The net sale proceeds have been applied to pay down drawn debt, pay a fully franked special dividend of 72 cents per HT&E share and commence an on-market share buyback of circa $55 million.

## 4. DIVIDENDS

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

DIVIDENDS

| Type | Cents per share | AUD $million | Date of payment |
|---|---|---|---|
| Final 2017 | **4.0** | 12.4 | 26 Apr 2018 |
| Interim 2018 | **3.0** | 9.3 | 27 Sep 2018 |
| Special | **72.0** | 222.4 | 24 Oct 2018 |

Since the end of the financial year, the Directors have declared the payment of a fully franked final dividend of 4.0 cents per ordinary share in respect of the year ended 31 December 2018. This dividend is payable on 15 March 2019.

## 5. CONSOLIDATED RESULT AND REVIEW OF OPERATIONS

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the Chairman's Report, CEO's Report and Operating & Financial Review on pages 2 to 11.

## 6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

## 7. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Events occurring after balance date are outlined in note 6.6 to the consolidated financial statements.

## 8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Overall strategic direction and prospects are discussed in the Chairman's and CEO's reports on pages 2 to 5 and the Operating & Financial Review on pages 6 to 11.

Further information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years has not been included in this Directors' Report because, in the opinion of the Directors, it would prejudice the interests of the consolidated entity.

## 9. RISK MANAGEMENT

The Board plays an active role in the setting and oversight of HT&E's Risk Management Framework.

The Australian advertising industry is subject to inherent risks including, but not limited to, exposure to macroeconomic factors, technological and social changes impacting consumer behaviours and advertiser spending, market competition and impacts of changes in government regulations.

The process of identifying, monitoring and mitigating significant business risks under the Group's Risk Management Framework is outlined in further detail in the Corporate Governance Statement which is available on the Company website.

# Directors' Report

The Group has identified a number of specific business and financial risks, which depending on the severity, may impact HT&E's ability to achieve its strategic objectives and financial forecasts. Risks include, but are not limited to:

| Risk | Description |
|---|---|
| Macroeconomic factors | The Group operates within the radio and digital advertising sectors in Australia and within the outdoor sector in Hong Kong. The ability to execute its strategy is linked to ongoing economic stability in those markets. If economic conditions were to deteriorate, there could be a significant reduction in Group revenues and earnings.<br><br>The Group enters into long-term contracts that contain fixed cost commitments which do not vary with revenue; consequently, a reduction in advertising revenues could result in a significant reduction in Group earnings. |
| Competitive pressures | The Group's strategic objectives could be impacted by increasing numbers of traditional and non-traditional competitors entering the markets in which the Group operates, changes in strategy of existing competitors, and the possibility of further industry consolidation.<br>Plans and strategies are continuously reviewed to mitigate this risk. The Group monitors performance and market developments to reassess plans and strategies as required. |
| Changes in advertiser and/or audience preferences | The sectors in which the Group operates have experienced consistent revenue growth in the recent past, however further growth is contingent on remaining relevant to advertisers and consumers. Changes in consumer preferences leading to audience fragmentation could over time result in revenue declines.<br><br>The Group continues to invest in capability including, but not limited to, retaining experienced media executives, hiring proven radio talent, participation in industry bodies, advertising and market research to mitigate the risk as best as possible. |
| Tax matters | As previously disclosed, there are a number of open tax matters with the Australian Taxation Office, the outcomes of which have the potential to adversely impact earnings, cash flow and the Group's strategy.<br><br>Further details are provided in note 4 to the consolidated financial statements. |
| Loss of broadcasting licence | While considered unlikely, the loss of an Australian radio broadcasting licence would have a material impact on Group revenues and earnings.<br><br>The Group has long-standing controls in place to minimise the risk of legislation compliance breaches. |
| Information technology including cyber security | There are a number of information technology systems that are critical to the operations of the Group and protection of privacy of data.<br><br>The Group continues to invest in cyber security and strengthening its IT Risk Management Framework to reduce the occurrence of outages, enable early detection of issues and mitigate operating and financial impacts. |
| Legislative environment | The Group is subject to changes in government legislation, which could limit future revenues from certain advertisers or specific advertising formats. |

## Directors' Report

| | |
|---|---|
| | The Group derives revenue from a large number of advertisers across a diverse range of industry sectors. Further, the Group has a strong understanding of the legislative environment in which it operates. |

### 10. ENVIRONMENTAL REGULATION

The Directors recognise the importance of environmental and occupational health and safety issues. The Directors are committed to compliance with all relevant laws and regulations to ensure the protection of the environment, the community and the health and safety of employees. The operations of the consolidated entity are not subject to any particular and significant environmental regulation under the laws of Australia or Hong Kong.

### 11. REMUNERATION REPORT

The Remuneration Report is set out on pages 24 to 42 and forms part of this Directors' Report.

### 12. DIRECTORS' MEETINGS

The number of meetings of the full Board of Directors and Board Committees held in the period each Director held office during the financial year and the number of those meetings attended by each Director in their capacity as a member of the Board or Board Committee were:

| | BOARD OF DIRECTORS | | AUDIT & RISK COMMITTEE | | REMUNERATION COMMITTEE | | NOMINATION AND GOVERNANCE COMMITTEE | |
|---|---|---|---|---|---|---|---|---|
| | Held | Attended | Held | Attended | Held | Attended | Held | Attended |
| **Current Directors** | | | | | | | | |
| Hamish McLennan | 2 | 2 | - | - | - | - | - | - |
| Roger Amos | 1 | 1 | 1 | 1 | - | - | - | - |
| Paul Connolly | 14 | 14 | 7 | 7 | 1 | 1 | 2 | 2 |
| Ciaran Davis | 14 | 14 | N/A | N/A | N/A | N/A | N/A | N/A |
| Belinda Rowe | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| **Former Directors** | | | | | | | | |
| Peter Cosgrove | 8 | 8 | N/A | N/A | N/A | N/A | 2 | 2 |
| Peter Cullinane | 4 | 4 | N/A | N/A | 1 | 1 | N/A | N/A |
| Christine Holman | 13 | 13 | 6 | 6 | - | - | 2 | 2 |
| Robert Kaye | 7 | 7 | 2 | 2 | N/A | N/A | N/A | N/A |
| Anne Templeman-Jones | 4 | 3 | 3 | 3 | 1 | 1 | N/A | N/A |

Committees were formed for purposes including reviewing and approving the half-year and annual financial statements, 2017 Annual Report and 2017 Shareholder Review, Notice of Annual General Meeting and Special Dividend. These meetings were attended as follows (Held/Attended): Robert Kaye (1/1), Peter Cosgrove (2/2), Christine Holman (1/1) and Ciaran Davis (5/5).

# Directors' Report

### 13. DIRECTORS' INTERESTS

The Remuneration Report on pages 24 to 42 of this Annual Report contains details of shareholdings of the Directors and Executive Key Management Personnel for the year ended 31 December 2018.

### 14. SHARES UNDER OPTION

There were no unissued shares of HT&E Limited under option at 31 December 2018 and no shares issued during the financial year as a result of the exercise of options. No options have been granted since the end of the financial year.

### 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The parent entity's Constitution provides for an indemnity for officers of the Company against any liability incurred by an officer of the Company in their capacity as an officer. Under the *Corporations Act 2001*, this indemnity does not extend to a liability to the parent entity or a related body corporate of the parent entity, a liability for a pecuniary penalty or compensation order under certain provisions of the *Corporations Act 2001* or a liability that is owed to someone other than the parent entity or a related body corporate of the parent entity, which did not arise out of conduct in good faith.

An Access, Indemnity and Insurance Deed is also provided to each Director and officer who serves as a director of the Company, a subsidiary or an associated entity. The deed is consistent with the Constitution and indemnifies these persons to the extent permitted by law for liabilities and legal costs incurred as a director of these entities (subject to some limitations).

### 16. INSURANCE OF DIRECTORS AND OFFICERS

The parent entity has paid for an insurance policy for the benefit of all persons who are or have been directors or officers of the parent entity or any other company in the consolidated entity against liabilities incurred during any one policy period. The insured persons include current and former directors, officers and company secretaries of the parent entity and any other company in the consolidated entity. The insurance policy specifically prohibits the disclosure of the nature of the liability covered and the premium paid.

### 17. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of a court under section 237 of the *Corporations Act 2001*.

### 18. NON-AUDIT SERVICES

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

During the financial year, the Company's auditor, PricewaterhouseCoopers, received or is due to receive $782,000 for the provision of non-audit services. Full details of the amounts paid or payable to the auditors for audit and non-audit services provided during the financial year are set out in the Annual Report in note 6.3 to the consolidated financial statements.

The Company auditor has provided the Directors with an Auditor's Independence Declaration in relation to the audit, a copy of which is provided on page 43. The auditor has also confirmed to the Directors that it has in place independence quality control systems which support its assertions in relation to its professional and regulatory independence as auditor of the consolidated entity (including the requirements of APES 110 *Code of Ethics for Professional Accountants*).

The Audit & Risk Committee has reviewed the fees provided to the auditor for non-audit services in the context of APES 110, the requirements of the Audit & Risk Committee Charter, the Audit Firm Service Provider Policy and general corporate governance practices adopted by the consolidated entity.

Based on the above factors, the Audit & Risk Committee has no reason to believe that there has been any compromise in the independence of the auditor due to the provision of these non-audit services and has advised the Board accordingly.

In accordance with the advice of the Audit & Risk Committee, the Directors are therefore satisfied that the provision of non-audit services during the financial year by the auditor is compatible with the general standard of independence for auditors

## Directors' Report

imposed by the *Corporations Act 2001* and that the provision of non-audit services during the financial year did not compromise the auditor independence requirements of the *Corporations Act 2001*.

### 19. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration, as required under section 307C of the *Corporations Act 2001*, is provided on page 43.

### 20. ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

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

This Directors' Report is issued in accordance with a resolution of the Directors.

**Hamish McLennan**
**Chairman**

Sydney
13 February 2019

# Remuneration Report

## DEAR SHAREHOLDERS

On behalf of the Remuneration Committee and the Board of Directors, I present HT&E's Remuneration Report for 2018.

The main role of the Remuneration Committee is to ensure that HT&E's remuneration policies and practices are consistent with and relevant to the achievement of the strategic goals of the Group. Amongst other objectives, the Committee is tasked with reviewing, and recommending to the Board, reward outcomes and any significant changes to remuneration arrangements for the Chief Executive Officer and Managing Director (CEO) and his Executive Key Management Personnel (KMP) direct reports.

The Chairman and Chief Executive Officer's reports outline the performance of the Group in 2018. HT&E's statutory results improved year on year, and were in line with expectations, which were reduced to reflect lower group earnings following the sale of Adshel that completed on 28 September 2018. The remuneration outcomes set out below reflect this performance.

## REMUNERATION APPROACH AND CHANGES FOR 2018

The Board continues to review the appropriateness of the TIP structure compared to a more usual short-term incentive (STI) / long-term incentive (LTI) scheme. Based on external feedback, shareholder support at the 2018 AGM and our own assessment, we have again concluded that the TIP remains, in the Board's opinion, the most effective incentive mechanism for HT&E.

The financial metrics were expanded in 2017 and include earnings before interest, tax, depreciation and amortisation (EBITDA), earnings per share (EPS) and return on invested capital (ROIC) targets for TIP assessment. Targets are set annually for the following 12 months based on current year actual results and expected performance for the year ahead.

After a number of changes in prior years, the structure of the Group's Total Incentive Plan (TIP) in 2018 remained consistent with the 2017 plan that was overwhelmingly supported by shareholders at the Annual General Meeting in May 2018. No further structural changes are proposed for 2019 at this time.

Other than the 15 per cent reductions in total fixed remuneration (TFR) in 2018 for the CEO and Chief Financial Officer as documented in the 2017 Remuneration Report, limited changes were made to KMP TFR in 2018. Where changes were made these related to changes in roles and/or responsibilities compared to 2017.

## PERFORMANCE AND REMUNERATION OUTCOMES FOR 2018

HT&E's financial performance in 2018 was solid in a highly competitive media landscape.

- ARN's strong second half 2017 performance carried into 2018. Ratings were expectedly impacted by changes in talent and improved into the middle of the year when ARN held the number one national network position (10+). Ratings variability in the second half saw ARN finish the year as the number two national network albeit with its highest ever audience ratings. First half commercial performance was also solid in a market that grew 5.9 per cent; the market softened from September and despite our limited ability to react with cost savings late in the year, ARN fell only slightly short of its 2018 target; and
- Adshel continued to mitigate the loss of the Yarra Trams contract and focused on replacement of Melbourne digital inventory, expansion of its data offering and commercial success. Operationally for the nine months prior to its sale to oOh!media, Adshel delivered earnings ahead of expectations. The sale of Adshel for $570m in September 2018 realised significant value for HT&E shareholders.

Overall, Group financial performance saw:

- Reported EBITDA before exceptional items and discontinued operations, of $71.8 million. This was up seven per cent on 2017 and was 1.8 per cent behind target (adjusted for the sale of Adshel). Assuming Adshel remained a continuing operation up to the time of its sale, HT&E EBITDA would have been $105.5 million. This would have been in line with the adjusted EBITDA target for the equivalent period;
- EPS on a pre-amortisation, post-tax basis, before exceptional items and discontinued operations, of 11.9 cents. This was 8.7 per cent ahead of target (adjusted for the sale of Adshel). Assuming Adshel remained a continuing operation up to the time of its sale, EPS would have been 16.6 cents per share, 8.2 per cent ahead of target; and
- ROIC, calculated based on earnings before interest, tax and amortisation (EBITA) and before exceptional items and discontinued operations, of 18.9 percent, compared to adjusted target of 18.7 per cent (adjustment for the Adshel sale and related capital management outcomes achieved in 2018). On an Adshel continuing operations basis, ROIC would have been 23.9 per cent compared to an adjusted target of 23.4 per cent (on the post-Adshel capital base).

# Remuneration Report

Ensuring Adshel continued to deliver results for shareholders during the sale process was a critical element of 2018 objectives. As Adshel was owned for nine months of 2018, the Board determined that KMP incentives should be based on its inclusion in the Group results up to the point of sale, rather than the statutory continuing operations results. On this basis, group performance was in line with EBITDA and ahead of EPS and ROIC adjusted targets for 2018 when Adshel is included. Consequently, TIP awards have been made to the Chief Executive Officer and his direct reports related to 2018 financial measures. A TIP award was made to Mike Tyquin, CEO of Adshel, reflecting the results achieved in the nine months that Adshel was owned by HT&E. KMP also met some or all of their personal key performance indicator (KPI) targets.

TIP outcomes for the Chief Executive Officer and the Chief Financial Officer in 2018 reflect the 15 per cent total fixed remuneration reduction taken by those individuals at the beginning of 2018, with the base salary reduction offset by a potential TIP increase. As noted in the 2017 Annual Report, this change was designed to deliver the same total compensation outcome if targets were met, or a meaningful cost saving to HT&E in the event objectives were not achieved. The impact of this fixed remuneration / TIP reallocation, and the limited 2017 TIP outcomes compared to 2016, mean total remuneration outcomes for 2018 for the CEO and CFO are higher than in 2017. For this reason, we have shown 2016 Actual and Total Remuneration and performance outcomes for comparison purposes throughout this report.

TIP awards for continuing Executive KMP have been made in accordance with the TIP Plan Rules with 50 per cent paid in cash, and 50 per cent through the granting of HT&E equity rights. The number of rights granted was adjusted to reflect dividends paid during 2018 in accordance with the TIP Plan Rules. Granted rights are deferred under the TIP rules for a one year service period and a further two year holding period. Rights for Mike Tyquin, who by virtue of the sale of Adshel is no longer employed by an HT&E group company, have been cash settled as at 28 September 2018, the date the Adshel sale completed. The Board also decided to cash settle TIP outcomes for Rob Atkinson, CEO of ARN, who will leave HT&E during 2019.

### CLAWBACK ASSESSMENT OF 2017 TIP

HT&E's performance in 2017 resulted in no TIP awards for the Chief Executive Officer and his direct reports (other than Mike Tyquin) related to financial measures. Though most Executive KMP met their KPI targets, given the Company's financial performance in 2017 the Board used its discretion to reduce KPI awards on average by 30%. All KPI awards, and Mike Tyquin's financial performance award, were recognised by granting provisional equity rights, deferred under the TIP rules. No cash payments were made relating to 2017 performance. Further, 2017 KPI elements of the TIP awards were to be clawed back if HT&E did not achieve target thresholds in 2018.

Based on the 2018 results noted above, target thresholds for the 2017 TIP awards were met and consequently the provisional equity rights will not be clawed back. These have vested as at 31 December 2018 and for continuing Executive KMPs are now subject to holding lock for a further two years, ending on 31 December 2020. The number of vesting shares was adjusted in accordance with the Plan Rules for dividends paid during 2018. For Mike Tyquin and Rob Atkinson, 2017 TIP rights were cash settled in line with the 2018 outcomes.

### SALE OF ADSHEL TO OOH!MEDIA

As noted above, the sale of Adshel to oOh!media in September 2018 for $570 million realised significant value for shareholders. At the commencement of the sale process, Mike Tyquin and some of his direct reports were provided with sale price-linked transaction incentives to ensure the continued performance of Adshel during the sale process. These incentives were paid in September 2018. No transaction completion incentives were paid to any other Executive KMP, despite the exceptional sale outcome achieved, and the significant value created for shareholders as a result.

At completion, the 2017 and 2018 TIP outcomes for Mike Tyquin were assessed based on performance up to that time. Given Mr Tyquin is unable to influence future outcomes for HT&E shareholders, the Board decided to cash settle these TIP outcomes.

Further, as a result of the Adshel sale, the Company commenced a process to simplify the group structure in November 2018. Incentives for 2017 and 2018 were resolved for affected people as outlined above.

### REMUNERATION CHANGES FOR 2019

The Board has reviewed the appropriateness of the TIP structure for 2019. We have concluded that the TIP scheme remains the most effective mechanism to incentivise HT&E's leadership. We have also concluded that the financial metrics continue to reflect the Board's desire to see growth in earnings and returns. Targets in 2019 have been amended to remove the impact of acquisition amortisation from EPS and ROIC calculations following the sale of Adshel.

## Remuneration Report

The Board considers that Executive KMP salaries remain appropriate despite the sale of Adshel, but they will be reviewed again during 2019 to ensure they are commensurate with the Company's strategy and shareholder expectations.

A number of Director changes occurred during the year, and relevant fees are outlined in section G of the Remuneration Report.

The Board believes our total remuneration and incentive plan strongly aligns our management team with the interests of shareholders.

Roger Amos
Chair of the Remuneration Committee

# Remuneration Report

## OUR DETAILED REMUNERATION REPORT

This Remuneration Report for the year ended 31 December 2018 outlines key aspects of our remuneration policy and framework, and has been audited in accordance with the *Corporations Act 2001*.

Our Remuneration Report contains the following sections:

A. Who this report covers
B. Executive remuneration policy and framework, and the role of the Remuneration Committee
C. How 2018 reward was linked to performance
D. Actual remuneration for 2018
E. Total remuneration for Executive KMP
F. Contractual arrangements with Executive KMP
G. Non-executive Director arrangements
H. Share-based remuneration
I. Director and Executive KMP shareholdings
J. Other statutory disclosures

## A. WHO THIS REPORT COVERS

This report covers Key Management Personnel (KMP), comprising Executive Key Management Personnel (Executive KMP) and Non-executive Directors. Other than the appointment of Belinda Rowe as a Non-executive Director on 5 February 2019, no changes have occurred since 31 December 2018 up to the date of this report:

| Name | Role |
|---|---|
| **Executive KMP** | |
| Ciaran Davis | Chief Executive Officer (CEO) & Managing Director |
| Jeff Howard | Chief Financial Officer (CFO) |
| Yvette Lamont | Group General Counsel and Company Secretary |
| Rob Atkinson | Chief Executive Officer, Australian Radio Network |
| **Former Executive KMP** | |
| Tony Kendall | Chief Revenue Officer (until 31 December 2017) |
| Mike Tyquin | Chief Executive Officer, Adshel (until 28 September 2018) |
| **Non-executive Directors** | |
| Hamish McLennan | Non-executive Chairman (from 30 October 2018) |
| Roger Amos | Non-executive Director (from 30 November 2018) |
| Paul Connolly | Non-executive Director |
| Belinda Rowe | Non-executive Director (from 5 February 2019) |
| **Former Non-executive Directors** | |
| Peter Cullinane | Non-executive Director (until 7 May 2018) |
| Anne Templeman-Jones | Non-executive Director (until 14 May 2018) |
| Peter Cosgrove | Non-executive Director (until 30 June 2018) |
| Robert Kaye | Non-executive Director (from 19 February 2018 until 11 September 2018) |
| Christine Holman | Non-executive Director (until 3 December 2018) |

# Remuneration Report

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

The Remuneration Committee determines the remuneration policy and structure with the primary goal of attracting and retaining individuals capable of managing the Group's operations in line with shareholder expectations. The executive packages are structured to:

- be competitive in the market;
- drive Executive KMP engagement;
- provide an appropriate balance between short and long-term performance focus;
- reward the achievement of financial and strategic objectives;
- align executive reward with Company performance; and
- create value for shareholders.

These principles were reflected in the remuneration framework for 2018, which is outlined below:

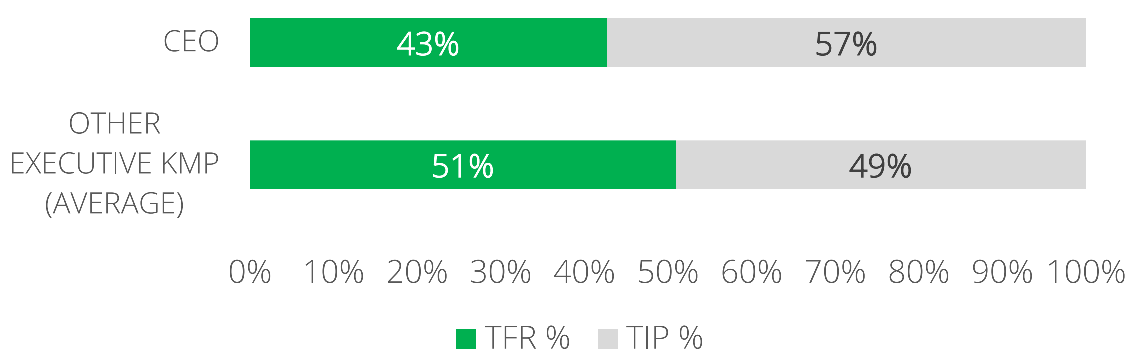
### (I) TOTAL FIXED REMUNERATION (TFR)

TFR comprises base salary, superannuation contributions and non-monetary benefits. The purpose of TFR is to recognise the capability and experience of the individual, and the scope and responsibility of the role.

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

- a greater proportion of the CEO's and CFO's total compensation is at risk and subject to performance outcomes. If performance targets are not met, a TFR cost reduction of 15% is achieved; and
- if performance targets are achieved, a greater proportion of total compensation will be paid in shares, deferred over three years. This further aligns management and shareholder objectives.

The target remuneration mix for the CEO and the average across the other continuing Executive KMP for 2018 and 2019 is illustrated below:



# Remuneration Report

### Retirement benefits

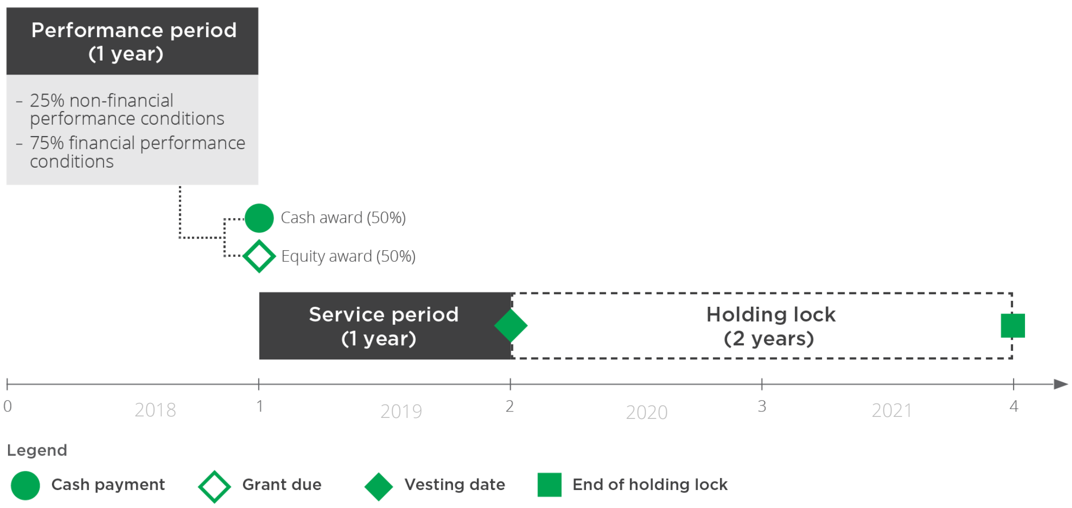
Retirement benefits are considered to be part of TFR and are delivered to Executive KMP in the form of statutory superannuation contributions to a number of different funds. Contributions made on behalf of executives are based on a percentage of fixed salary. Ms Lamont is a member of a defined benefit superannuation plan (the plan provides defined lump sum or annuity benefits based on years of service and final average salary).

### Other remuneration related costs

The Company may incur other remuneration related costs in respect of certain executives that are not regarded as part of the executive's TFR. Typically, other payments are ancillary to the executive's employment such as rental assistance or family travel in circumstances where the Company requires the executive to relocate. These costs include fringe benefits tax, if applicable.

## (II) TOTAL INCENTIVE PLAN (TIP) OVERVIEW

The TIP provides eligible participants with the opportunity to receive cash and equity following an assessment against specified financial and non-financial performance conditions based on a one-year performance period. The following diagram illustrates the operation of the TIP for 2018. The structure for 2019 follows the same pattern as the 2018 TIP however for the 2019 to 2022 period.




## (III) TIP: KEY TERMS (2018)

The following table outlines the key terms of the 2018 TIP and the changes for 2019 (other than for relevant periods, being 2019 to 2022):

| Feature | Description |
|---|---|
| Eligibility | At the absolute discretion of the Board, the CEO and other Executive KMP were eligible to participate in the TIP. |
| Award opportunity | For the CEO and CFO in 2018, target award is 135.3% of fixed remuneration, reflecting the base salary reduction implemented from 1 January 2018. Other eligible participants had a target award opportunity, which varied between 50% and 60% of fixed remuneration, depending on the participant's role and responsibilities.<br><br>Financial awards include incentive over and above the target award when results achieved are better than target. KPI awards are capped at 100% of the target opportunity. As a result, the maximum incentive for 2018 is 137.5% of the target award. |
| Performance period | The award was dependent on performance over a one-year performance period (the 2018 financial year). There is no opportunity for retesting. |
| | **Financial performance conditions (75%)**<br>**Non-financial performance conditions (25%)** |

## Remuneration Report

<table>
<tr><th>Feature</th><th colspan="4">Description</th></tr>
<tr><td rowspan="2">Performance measures</td><td colspan="2">For the CEO and other Group Executive KMP, performance was measured based on Group EBITDA (25%), Group EPS (25%) and Group ROIC (25%) per the table below.<br><br>For divisional Executive KMP, performance was measured against their relevant divisional EBITDA (50%) and Group EBITDA (25%).</td><td colspan="2">Performance was measured against specific metrics as determined for each participant at the commencement of the performance period.<br>These metrics may have included: Group / divisional measures (e.g. business transformation or market share), and individual measures (e.g. leadership and development).</td></tr>
<tr><td colspan="4">The higher weighting of financial to non-financial metrics emphasises the importance the Board places on HT&E's financial performance.</td></tr>
<tr><td rowspan="9">2018 incentive payout schedule</td><td colspan="2">EBITDA and EPS</td><td colspan="2">ROIC</td></tr>
<tr><td>EBITDA/EPS performance</td><td>Percentage of target opportunity awarded</td><td>ROIC performance</td><td>Percentage of target opportunity awarded</td></tr>
<tr><td><95% of budget</td><td>0%</td><td>Below threshold[1]</td><td>0%</td></tr>
<tr><td>95% of budget</td><td>25%</td><td>At threshold</td><td>25%</td></tr>
<tr><td>>95% to <100% of budget</td><td>Pro-rata between 25% and 100%</td><td>Between threshold and budget</td><td>Pro-rata between 25% and 100%</td></tr>
<tr><td>100% of budget</td><td>100%</td><td>At budget</td><td>100%</td></tr>
<tr><td>>100% to <110% of budget</td><td>Pro-rata between 100% and 150%</td><td>Between budget and stretch</td><td>Pro-rata between 100% and 150%</td></tr>
<tr><td>At or above 110% of budget</td><td>150%</td><td>At or above stretch</td><td>150%</td></tr>
<tr><td colspan="4">The financial performance award schedule was designed to provide only limited awards where performance is below budget, with upside for performance above budget, up to a maximum cap of 150%.<br>Similarly, the non-financial performance award schedule was designed to limit awards below target. Upside will only be provided in exceptional circumstances at the absolute discretion of the Board.<br>EPS in 2018 was based on NPATA and in 2019 will be based on NPAT. ROIC in 2018 was based on EBITA and in 2019 will be based on EBIT. Both changes are due to the removal of acquisition amortisation from HT&E's results following the sale of Adshel in 2018.</td></tr>
<tr><td>Form of award</td><td colspan="4">Awards under the TIP are granted to participants following the assessment of performance. To the extent that performance measures were met:<br>• 50% of awards were made in cash following the assessment of performance; and<br>• 50% of awards were granted in rights to acquire fully paid ordinary shares in the Company for nil consideration (rights).<br>Subject to the satisfaction of a one-year service period, vested rights will convert to fully paid ordinary shares. Vested rights will automatically convert into shares without the requirement for the participant to exercise their rights.<br>Participants will receive an additional allocation of shares at vesting equal to the dividends paid on vested rights over the performance and service periods.<br>Vested shares will be subject to a further two-year holding lock.</td></tr>
<tr><td>Equity allocation methodology</td><td colspan="4">Equity is granted based on the face value of the rights.</td></tr>
<tr><td>Clawback</td><td colspan="4">The Company may reduce unvested equity awards in certain circumstances such as gross misconduct, material misstatement or fraud. The Board may also reduce unvested awards to</td></tr>
</table>

# Remuneration Report

| Feature | Description |
|---|---|
| | recover amounts where performance that led to payments being awarded is later determined to have been incorrectly measured or not sustained. |
| Treatment of awards on cessation of employment | Awards are forfeited for 'bad' leavers (e.g. resignation or termination for cause), while 'good' leavers (e.g. cessation of employment due to redundancy, total disablement or death) receive pro-rated awards based on the extent to which performance and service conditions are met. |
| Treatment of awards on change of control | Participants receive pro-rated awards based on the extent to which performance and service conditions are met. |
| Treatment of awards on sale of a material business | Adshel was sold to oOh!media on 28 September 2018. As part of the sale, Mike Tyquin's 2017 and 2018 TIP awards were assessed against the Plan Rules and cash settled as at that date. |

(1) Threshold will be determined with reference to prior year ROIC, next 12-months expected earnings and forecast changes to capitalisation in the budget.

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

Other remuneration arrangements will be entered into on an 'as needs' basis as determined by the Board. These may include retention and transaction/project completion incentives. A transaction incentive was awarded to Mike Tyquin in 2018 in relation to the sale of Adshel (refer to section D below).

The Board retains the ultimate discretion regarding remuneration outcomes. The Board may make, or cancel (clawback) awards where it sees fit to align with remuneration policy and/or Company strategic outcomes.

## C. HOW 2018 REWARD WAS LINKED TO PERFORMANCE

### PERFORMANCE INDICATORS

The overall Company performance for 2018 is reflected in the performance indicators below. 2018 results presented below reflect the statutory results plus Adshel's results for the period it was owned by HT&E; earlier results reflect statutory results for the respective year.

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Group EBITDA[1] | **$105.5m** | $118.4m | $90.9m | $166.2m | $164.1m |
| Net profit after tax before amortisation (NPAT/NPATA)[2] | **$51.2m** | $54.1m | $66.1m | $78.3m | $81.1m |
| Weighted average number of shares outstanding[3] | **307,528,973** | 307,696,348 | 200,039,379 | 158,127,258 | 150,784,465 |
| Basic (NPAT/NPATA) EPS[2, 3] (cents) | **16.6** | 17.6 | 33.1 | 49.5 | 53.8 |
| ROIC[4] | **23.9%** | 13.4% | 9.6% | 17.3% | 17.2% |
| Dividend paid to shareholders (cents per share) | **79.0** | 7.0 | nil | nil | nil |
| Increase/(decrease) in share price (%)[5] | **22%** | (34%) | (1%) | (37%) | 86% |

(1) Continuing operations before exceptional items for 2014 to 2017; 2018 includes Adshel.

(2) Continuing and discontinued operations before exceptional items and amortisation, attributable to HT&E shareholders. Results reflect Net Profit after Tax before amortisation for 2014-2017 and Net Profit after Tax for 2018.

(3) Adjusted for treasury shares and share buyback in 2018, share consolidation and bonus elements of the 2016 rights issues and placement, and the bonus element of the 2014 rights issue.

(4) Based on EBIT from continuing operations before exceptionals for 2018 and EBITA from continuing operations before exceptional items prior 2018. The decline between 2015 and 2017 was due to the demerger of NZME, sale of Australian Regional Media (ARM) and the acquisition of the remaining 50% of Adshel and related share issuance.

(5) 2018 closing share price increased to reflect payment of special dividend. 2016 opening share price adjusted for the impact of NZME demerger, share consolidation, rights issues and placement.

# Remuneration Report

## PERFORMANCE AND IMPACT ON REMUNERATION

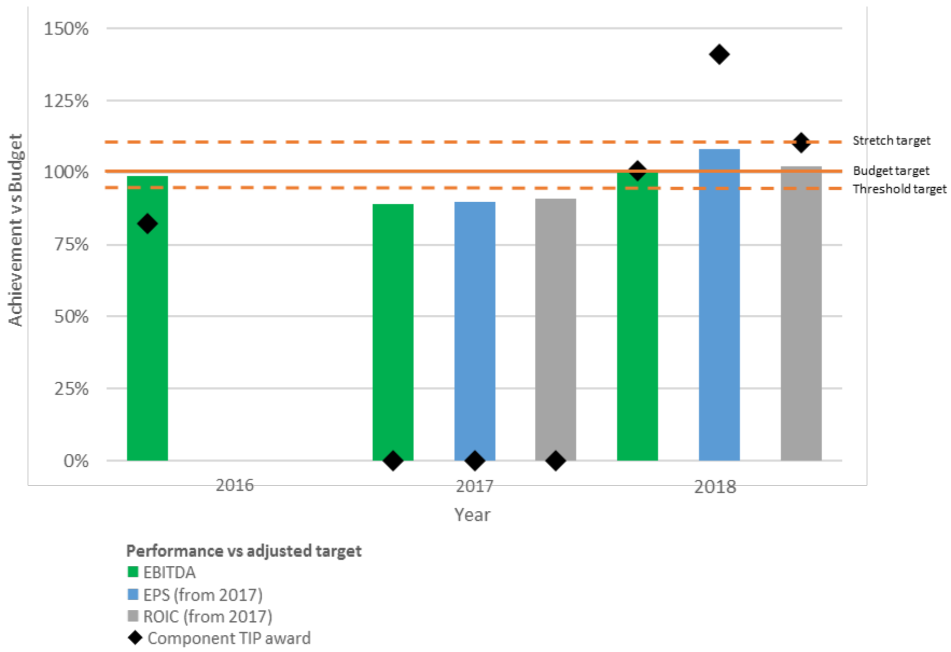
### (I) TIP AWARDED IN 2018

HT&E's continuing operations EBITDA performance in 2018 was slightly behind targets set at the beginning of the year after adjusting for the impacts of the Adshel sale due to the slowdown in the radio advertising market from September, while EPS and ROIC were both ahead of adjusted targets. Ensuring Adshel continued to deliver results for shareholders during the sale process was a critical element of 2018 objectives. As Adshel was owned for nine months of 2018, the Board determined that KMP incentives should be based on its inclusion in the Group results up to the point of sale, rather than the statutory continuing operations results. Actual performance including Adshel up to its point of sale was better, with Adshel delivering above target results for the nine months.

A component (75%) of the 2018 TIP award was dependent on Group and divisional financial performance relative to target. Performance for the 2018 financial year is outlined in the table below:

| 2018 TIP financial metrics | EBITDA performance | EPS performance | ROIC performance |
|---|---|---|---|
| Group: continuing operations | Between threshold and target; 98.2% of adjusted target achieved | Between target and maximum; 108.7% of adjusted target achieved | Between target and maximum; 100.6% of adjusted target achieved |
| Group: continuing operations including Adshel up to the date of sale (28 September 2018) | Between target and maximum; 100.1% of adjusted target achieved | Between target and maximum; 108.2% of adjusted target achieved | Between target and maximum; 102.1% of adjusted target achieved |
| ARN | Between threshold and target; 98.3% of target achieved | n/a | n/a |
| Adshel | Between target and maximum; 104.6% of target achieved for the period up to sale on 28 September 2018 | n/a | n/a |

The 2016 TIP scheme included EBITDA as the only financial measure of performance; this was expanded in 2017 to include EPS and ROIC. The chart below shows over the last three years, group results used for TIP assessment as a percentage of adjusted targets, and the corresponding TIP component award outcome:



## Remuneration Report

As a result, TIP awards have been made to the CEO and his continuing direct reports related to 2018 financial measures. A TIP award has also been made to Mike Tyquin, reflecting the results achieved in the nine months that Adshel was owned by HT&E; this award has been cash settled under the Plan Rules given the sale of Adshel to oOh!media on 28 September 2018.

Executive KMP also met some or all of their KPI targets. When combined with personal KPI achievements, the above group results and related TIP outcomes resulted in Executive KMP TIP outcomes for the CEO, CFO and Group General Counsel and Company Secretary of 88-90% in 2016, 16-17% in 2017 and 110-113% in 2018. Divisional KMP TIP outcomes were partly determined by group EBITDA, respective divisional EBITDA and KPI achievement, and were 40-53% in 2016, 15-47% in 2017 and 61-71% in 2018.

The table below summarises the TIP outcomes for 2018:

| Executive KMP | TIP awarded (cash incentive) $ | TIP awarded (equity award) [1] $ | Total TIP awarded $ | % of target achieved | % of maximum achieved | % of maximum forfeited |
|---|---|---|---|---|---|---|
| Ciaran Davis | 758,883 | 758,883 | 1,517,766 | 110.0% | 80.0% | 20.0% |
| Jeff Howard | 481,040 | 481,040 | 962,080 | 111.5% | 81.1% | 18.9% |
| Yvette Lamont | 130,520 | 130,520 | 261,040 | 113.1% | 82.3% | 17.7% |
| Rob Atkinson | 100,762 | 100,762 | 201,524 | 60.6% | 44.0% | 56.0% |
| Mike Tyquin[2] | 121,369 | 121,369 | 242,738 | 71.0% | 51.7% | 48.3% |

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

(2) Reflects pro-rata award for nine months of Adshel under HT&E ownership.

As a result of the above, 829,469 TIP rights have been awarded at 31 December 2018. Other than for Mike Tyquin and Rob Atkinson, whose rights have vested and were cash settled, all Executive KMP TIP rights are subject to a one year service period and a further two year holding period. For the remaining Executive KMPs the number of rights was increased to reflect dividends paid during 2018 in accordance with the Plan Rules. Consequently, 1,119,514 rights over HT&E shares will be issued to continuing Executive KMPs to satisfy the 2018 TIP awards. Assuming all remaining rights vest, at 1 January 2019 the equivalent number of shares associated with these rights was valued at $1,768,832.

### (II) TIP AWARDED IN 2017

A number of Executive KMP received rights associated with the 2017 TIP. These rights were subject to clawback at 31 December 2018 if certain target thresholds were not met. Based on 2018 results, target thresholds for the 2017 TIP awards have been met and consequently the provisional equity rights will not be clawed back. These equity rights have vested as at 31 December 2018 and are now subject to a holding lock for a further two years, ending on 31 December 2020.

| 2017 TIP target 2018 performance measures | Percentage of TIP grant | Actual / Target performance | Percentage vested |
|---|---|---|---|
| EBITDA(1) | 50% | 104% | 100% |
| EPS(1) | 50% | 110% | 100% |
| Total vesting | | | 100% |

(1) In accordance with the 2017 TIP, the Board adjusted the target performance measures to reflect lower group earnings following the sale of Adshel and associated capital management. Targets reflect EBITDA/EPS from continuing operations before exceptional items plus the targets for Adshel for the nine months of HT&E ownership during 2018.

As a result, 121,682 2017 TIP rights vested at 31 December 2018. The number of rights was increased to reflect dividends paid during 2018 in accordance with the Plan Rules. Consequently, 190,857 HT&E shares will be issued to continuing Executive KMP to satisfy the vesting of 2017 TIP rights. At 1 January 2019, these shares were valued at $301,554. Consistent with the 2018 awards, Mike Tyquin's and Rob Atkinson's 2017 TIP awards were settled in cash during the year.

# Remuneration Report

## D. ACTUAL REMUNERATION FOR 2018

The following section sets out the value of remuneration which has been received by Executive KMP for the 2018 performance year. It also outlines the testing of the 2017 TIP outcomes as occurred on 31 December 2018.

HT&E's continuing operations performance in 2018 was solid in a highly competitive media landscape, with EBITDA slightly behind, and EPS and ROIC ahead, of targets set at the beginning of the year after adjusting for the impacts of the Adshel sale and related capital management. Ensuring Adshel continued to deliver results for shareholders during the sale process was a critical element of 2018 objectives. As Adshel was owned for nine months of 2018, the Board determined that Executive KMP incentives should be based on its inclusion in the Group results up to the point of sale, rather than the "as reported" continuing operations results. Actual performance was in line with (EBITDA) or ahead of (EPS, ROIC) adjusted targets for the Group including Adshel up to its date of sale. As a result, TIP awards have been made to the CEO and some of his direct reports related to 2018 financial measures. A TIP award was made to Mike Tyquin, reflecting the results achieved in the nine months that Adshel was owned by HT&E.

KMP also met some or all of their personal KPI targets.

TIP awards have been made in accordance with the Plan Rules with 50 per cent paid in cash, and 50 per cent through the granting of HT&E equity rights. With the exception of Mike Tyquin, who by virtue of the sale of Adshel is no longer employed by an HT&E group company, and Rob Atkinson, who will cease to be employed by an HT&E group company during 2019, granted rights are deferred under the TIP rules for a one year service period and a further two year holding period.

Due to the significance of the Adshel transaction, with regards to the potential for the creation of shareholder value, and risk to it if a sale did not complete and the business underperformed during the process, Mike Tyquin was awarded a transaction completion cash incentive of $350,000. The quantum of the award was linked to continued performance of the Adshel business over the sale period, achieving a certain sale price and completing the sale. No transaction completion incentives were paid to other Executive KMP, despite the exceptional sale outcome achieved, and the significant value created for shareholders as a result.

A number of KMP received rights associated with the 2017 TIP. These rights were subject to clawback at 31 December 2018 if certain target thresholds were not met. Based on 2018 results, target thresholds for the 2017 TIP awards have been met and consequently the provisional equity rights will not be clawed back. These equity rights have vested as at 31 December 2018 and are now subject to a holding lock for a further two years, ending on 31 December 2020.

For Executive KMP, the number of vesting 2018 and 2017 rights was adjusted in accordance with the Plan Rules for dividends paid during 2018. The Board waited until 2018 results were finalised prior to hedging the TIP obligations due to the developments with regards to the Adshel sale, associated capital management and anticipated management changes.

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

The TIP values represent the cash portion (50%) of the total TIP awarded for each year. Vested LTI in 2017 is the value of the 2015 LTI grant which vested at the end of 2017, and in 2016 is the value of the 2014 LTI grant that vested at the end of 2016. Vested LTI values reflect the value of shares as at 1 January 2018 consistent with the 2017 Remuneration Report (and 1 January 2017 with respect to the 2016 values).

# Remuneration Report

### ACTUAL REMUNERATION

| Executive KMP[1] | TFR[2] $ | TIP $ | Vested LTI $ | Other $ | Total $ |
|---|---|---|---|---|---|
| Ciaran Davis | | | | | |
| **2018** | **1,020,000** | **758,883** | **164,192** | **–** | **1,943,075** |
| 2017 | 1,200,000 | – | 250,642 | – | 1,450,642 |
| 2016 | 1,200,000 | 528,955 | 73,277 | 200,000 | 2,002,232 |
| Jeff Howard | | | | | |
| **2018** | **637,500** | **481,040** | **102,623** | **–** | **1,221,163** |
| 2017 | 750,000 | – | 105,256 | – | 855,256 |
| 2016 | 700,000 | 352,701 | 73,277 | – | 1,125,978 |
| Yvette Lamont[3] | | | | | |
| **2018** | **480,000** | **130,520** | **34,739** | **–** | **645,259** |
| 2017 | 480,000 | – | 70,171 | – | 550,171 |
| 2016 | 480,000 | 132,239 | 36,638 | – | 648,877 |
| Rob Atkinson (from 25 October 2016) | | | | | |
| **2018** | **554,617** | **100,762** | **43,712** | **158,796** | **857,887** |
| 2017 | 546,425 | – | – | – | 546,425 |
| 2016 | 99,252 | – | – | 97,013 | 196,265 |
| Tony Kendall (until 31 December 2017) | | | | | |
| **2018** | **–** | **–** | **–** | **–** | **–** |
| 2017 | 653,306 | – | – | – | 653,306 |
| 2016 | 597,308 | 79,595 | – | – | 676,903 |
| Mike Tyquin (from 3 April 2017 to 28 September 2018) | | | | | |
| **2018** | **427,212** | **121,369** | **172,466** | **540,399** | **1,261,446** |
| 2017 | 409,228 | – | – | – | 409,228 |
| 2016 | – | – | – | – | – |
| Total | | | | | |
| **2018** | **3,119,329** | **1,592,574** | **517,732** | **699,195** | **5,928,830** |
| 2017 | 4,038,959 | – | 426,069 | – | 4,465,028 |
| 2016 | 3,076,560 | 1,093,490 | 183,192 | 297,013 | 4,650,255 |

(1) Table includes 2018 Executive KMP; other previous KMP not impacting 2018 or 2017 have been excluded
(2) TFR comprises base salary, superannuation and non-monetary benefits.
(3) Yvette Lamont is a member of a defined benefit scheme and her TFR includes $80,000 of contributions to that scheme.

# Remuneration Report

## E. TOTAL REMUNERATION FOR EXECUTIVE KMP

Details of the Executive KMP remuneration for 2018 and 2017 are set out in the table below. The remuneration in this table has been calculated in accordance with accounting standards and therefore differs from the information included in section D of this report.

| | Short-term benefits | | | Post-employment benefits | Other long-term benefits | Share-based payments | Termination benefits | Total |
|---|---|---|---|---|---|---|---|---|
| | Cash salary and fees[1] $ | Non-monetary benefits $ | Cash incentives[2] $ | Super-annuation $ | Long-service leave[3] $ | Fair value of equity awards[4] $ | $ | $ |
| Ciaran Davis | | | | | | | | |
| **2018** | **976,965** | **32,302** | **758,883** | **20,290** | **(1,437)** | **967,223** | **–** | **2,754,226** |
| 2017 | 1,158,551 | 31,401 | – | 19,832 | 44,689 | 572,353 | – | 1,826,826 |
| 2016 | 1,158,315 | 32,322 | 728,955 | 19,462 | 33,452 | 273,218 | – | 2,245,724 |
| Jeff Howard | | | | | | | | |
| **2018** | **580,333** | **46,434** | **481,040** | **20,290** | **16,339** | **611,657** | **–** | **1,756,093** |
| 2017 | 692,985 | 46,968 | – | 19,832 | 11,223 | 334,581 | – | 1,105,589 |
| 2016 | 642,373 | 48,264 | 352,701 | 19,462 | 20,171 | 67,497 | – | 1,150,468 |
| Yvette Lamont[5] | | | | | | | | |
| **2018** | **400,000** | **9,557** | **130,520** | **80,000** | **8,000** | **172,822** | **–** | **800,899** |
| 2017 | 400,000 | 9,785 | – | 80,000 | 8,174 | 141,711 | – | 639,670 |
| 2016 | 400,000 | 10,099 | 132,239 | 83,000 | 8,094 | 16,797 | – | 650,229 |
| Rob Atkinson (from 25 October 2016) | | | | | | | | |
| **2018** | **534,326** | **25,901** | **303,270** | **20,290** | **–** | **–** | **–** | **883,787** |
| 2017 | 531,815 | 3,038 | – | 14,610 | 18,225 | 22,753 | – | 590,441 |
| 2016 | 95,680 | 66,938 | 97,013 | 3,572 | – | – | – | 263,203 |
| Tony Kendall (until 31 December 2017) | | | | | | | | |
| **2018** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| 2017 | 633,474 | – | – | 19,832 | 381 | 60,858 | – | 714,545 |
| 2016 | 577,846 | – | 79,595 | 19,462 | 416 | 49,361 | – | 726,680 |
| Mike Tyquin (from 3 April 2017 to 28 September 2018) | | | | | | | | |
| **2018** | **412,054** | **–** | **834,234** | **15,157** | **–** | **–** | **–** | **1,261,445** |
| 2017 | 409,228 | 8,690 | – | 13,305 | – | 73,865 | – | 505,088 |
| 2016 | – | – | – | – | – | – | – | – |
| Total | | | | | | | | |
| **2018** | **2,903,678** | **114,194** | **2,507,947** | **156,027** | **22,902** | **1,751,702** | **–** | **7,456,450** |
| 2017 | 3,826,053 | 99,882 | – | 167,411 | 82,692 | 1,206,121 | – | 5,382,159 |
| 2016 | 2,874,214 | 157,623 | 1,390,503 | 144,958 | 62,133 | 406,873 | – | 5,036,304 |

(1) Cash salary and fees include accrued annual leave paid out as part of salary.
(2) Cash incentive payments relate to cash TIP awards accrued for the relevant year, and paid in the year following. For Mike Tyquin, cash incentives include the transaction completion incentive, and the cash settlement of his pro-rata 2018 and 2017 TIP awards as at 28 September 2018 (the date the Adshel sale completed). For Rob Atkinson, cash incentive includes the cash settlement of his 2018 and 2017 TIP awards.
(3) Long service leave relates to amounts accrued during the year.
(4) The fair value at grant date is independently determined using a number of methods including the Binomial option pricing model and the Monte-Carlo option pricing model which take into account the exercise price, the term of the right, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the right. In 2014, fair value included a reversal of the 2014 LTI EPS portion which resulted in some negative amounts.
(5) Yvette Lamont is a member of a defined benefit superannuation plan. The amount disclosed above has been determined in accordance with the relevant accounting standards and differs from the amounts contributed to the scheme, which were included in the table in section D above.

# Remuneration Report

## F. CONTRACTUAL ARRANGEMENTS WITH EXECUTIVE KMP

Remuneration and other terms of employment for the Executive KMP are formalised in employment contracts. All Executive KMP are employed under contracts with substantially similar terms. The key elements of these employment contracts are summarised below:

| Contract duration | Continuing |
|---|---|
| Notice by individual/Company | Employment may be terminated by either party. Notice periods vary according to contractual terms: CEO and CFO – 12 months; Group General Counsel and Company Secretary – three months; and divisional Chief Executive Officers – six months. |
| Termination of employment (for cause) | All contracts provide that employment may be terminated at any time without notice for serious misconduct. |
| Termination of employment (without cause) | Where employment is terminated by the Company, payment may be made in lieu of notice. |
| Redundancy | If the Company terminates the employment of an Executive KMP for reasons of redundancy, a redundancy payment would be paid depending on the length of their service, in each case not exceeding 12 months of base salary. |
| Non-compete/restraint | Executive KMP are subject to non-compete provisions for the term of their notice period. |

## G. NON-EXECUTIVE DIRECTOR ARRANGEMENTS

### APPROACH

Non-executive Directors are provided with written agreements which outline the fees for their contribution as Directors. Fees reflect the demands which are made on, and the responsibilities of, the Directors. The Remuneration Committee has the responsibility for reviewing and recommending the level of remuneration for Non-executive Directors in relation to Board and Committee duties.

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

| | 2018 $ | | 2019 $ | |
|---|---|---|---|---|
| Role | Chair fee[1] | Member fee | Chair fee[1] | Member fee |
| Board | 212,500 | 85,000 | 284,700 | 85,000 |
| Audit & Risk Committee | 20,000 | 10,000 | 20,000 | 10,000 |
| Remuneration Committee | 20,000 | 10,000 | 20,000 | 10,000 |
| Nomination and Governance Committee | 20,000 | 10,000 | 20,000 | 10,000 |

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

The annual fee paid to the Chairman of the HT&E Board was $212,500 for Peter Cosgrove and Robert Kaye, and increased to $284,700 from 30 October 2018 on the appointment of Hamish McLennan.

### APPROVED FEE POOL

The Non-executive Director fee pool was increased to $1,200,000 per annum following shareholder approval at the 2015 Annual General Meeting (AGM). There was no change to the Non-executive Director fee pool in 2018 and none is expected for 2019.

# Remuneration Report

Details of the Non-executive Directors' fees for 2016 to 2018 are set out in the table below:

| Director | Fees $ | Superannuation $ | Retirement benefits $ | Total $ |
|---|---|---|---|---|
| Hamish McLennan (from 30 October 2018) | | | | |
| **2018** | **46,060** | **3,615** | **–** | **49,675** |
| 2017 | – | – | – | – |
| 2016 | – | – | – | – |
| Roger Amos (from 30 November 2018) | | | | |
| **2018** | **10,612** | **1,008** | **–** | **11,620** |
| 2017 | – | – | – | – |
| 2016 | – | – | – | – |
| Paul Connolly | | | | |
| **2018** | **110,813** | **10,527** | **–** | **121,340** |
| 2017 | 111,872 | 10,628 | – | 122,500 |
| 2016 | 114,190 | 10,848 | – | 125,038 |
| Belinda Rowe (from 5 February 2019) | | | | |
| **2018** | **–** | **–** | **–** | **–** |
| 2017 | – | – | – | – |
| 2016 | – | – | – | – |
| Peter Cullinane (until 7 May 2018) | | | | |
| **2018** | **33,808** | **3,212** | **–** | **37,020** |
| 2017 | 102,740 | 9,760 | – | 112,500 |
| 2016 | 109,589 | 10,411 | – | 120,000 |
| Anne Templeman-Jones (until 14 May 2018) | | | | |
| 2018 | **39,047** | **3,709** | **–** | **42,756** |
| 2017 | 111,872 | 10,628 | – | 122,500 |
| 2016 | 118,721 | 11,279 | – | 130,000 |
| Peter Cosgrove (until 30 June 2018) | | | | |
| **2018** | **97,032** | **9,218** | **–** | **106,250** |
| 2017 | 212,224 | 19,026 | – | 231,250 |
| 2016[1] | 210,151 | 19,438 | – | 229,589 |
| Robert Kaye (from 19 February 2018 to 11 September 2018) | | | | |
| **2018** | **69,769** | **6,628** | **–** | **76,397** |
| 2017 | – | – | – | – |
| 2016 | – | – | – | – |
| Christine Holman (until 3 December 2018) | | | | |
| **2018** | **98,584** | **9,365** | **–** | **107,949** |
| 2017 | 102,740 | 9,760 | – | 112,500 |
| 2016 | 106,303 | 10,099 | – | 116,402 |
| Total | | | | |
| **2018** | **505,725** | **47,282** | **–** | **553,007** |
| 2017 | 641,448 | 59,802 | – | 701,250 |
| 2016 | 658,954 | 62,075 | – | 721,029 |

(1) In 2016 subsidiaries of HT&E Limited paid Peter Cosgrove an additional $10,907 including superannuation as a Chairman's fee for Buspak Hong Kong.

Refer to note 6.4 to the consolidated financial statements for details of transactions with related parties.

# Remuneration Report

## H. SHARE-BASED REMUNERATION

### (I) TERMS AND CONDITIONS OF SHARE-BASED REMUNERATION

*2018 TIP Awards*

Continuing Executive KMP received a grant of rights under the 2018 TIP during 2018. Based on HT&E's performance, rights have been awarded at the end of 2018 to satisfy TIP outcomes. Other than for Mike Tyquin and Rob Atkinson, whose rights were cash settled as outlined in section D above, continuing Executive KMP rights will vest at the end of the one-year service period. The table below shows the number and value of 2018 rights that were awarded and remain unvested at the end of 2018.

| Name | Grant date[1] | Vesting date | Number of rights granted | Number of rights awarded | Number of rights unvested | Value per right at grant date $ |
|---|---|---|---|---|---|---|
| Ciaran Davis | 2 March 2018 | 1 January 2020 | 359,375 | 395,292 | – | 1.72 |
| Jeff Howard | 2 March 2018 | 1 January 2020 | 224,610 | 250,542 | – | 1.72 |
| Yvette Lamont | 2 March 2018 | 1 January 2020 | 60,102 | 67,980 | – | 1.72 |
| Rob Atkinson(2) | 2 March 2018 | 19 November 2020 | 86,659 | 52,481 | 34,178 | 1.72 |
| Mike Tyquin(3) | 2 March 2018 | 28 September 2018 | 89,003 | 63,214 | 25,789 | 1.72 |

(1) The date on which the fair value of the TIP rights was calculated, being the deemed grant date of the rights for accounting purposes. An actual grant of rights will not be made to the CEO until shareholder approval has been received at the 2019 AGM, and for all other Executive KMP on a date to be determined after this Annual Report has been issued.

(2) As noted above, Rob Atkinson's 2018 TIP rights were cash settled on the vesting date in accordance with the Plan Rules.

(3) As noted above, Mike Tyquin's 2018 TIP rights vested on a pro-rata basis on completion of the sale of Adshel on 28 September 2018. They were cash settled on that date.

*2017 TIP Awards*

Executive KMP received a grant of rights under the 2017 TIP during 2017 which vested on 1 January 2019, as described in section D above. Only limited grants were made during 2017. The table below shows the number and value of 2017 TIP rights that vested at the beginning of 2019:

| Name | Grant date[1] | Vesting date | Number of rights granted | Value per right at grant date $ |
|---|---|---|---|---|
| Ciaran Davis | 10 April 2017 | 1 January 2019 | 66,255 | 2.58 |
| Jeff Howard | 10 April 2017 | 1 January 2019 | 41,410 | 2.58 |
| Yvette Lamont | 10 April 2017 | 1 January 2019 | 14,017 | 2.58 |
| Rob Atkinson[2] | 10 April 2017 | – | – | – |
| Tony Kendall | 10 April 2017 | 1 January 2019 | 8,913 | 2.58 |
| Mike Tyquin[3] | 10 April 2017 | – | – | – |

(1) The date on which the fair value of the TIP rights was calculated, being the deemed grant date of the rights for accounting purposes. An actual grant of rights was made to the CEO after shareholder approval was received at the 2018 AGM, and for all other Executive KMP on 14 February 2018.

(2) As noted above, Rob Atkinson's 2017 TIP rights (17,658 issued on 10 April 2017) were cash settled in accordance with the Plan Rules at the end of 2018.

(3) As noted above, Mike Tyquin's 2017 TIP rights (57,260 issued on 10 April 2017) vested on a pro-rata basis on completion of the sale of Adshel, on 28 September 2018. They were cash settled on that date.

The above rights have now vested and converted into HT&E shares. The Company will satisfy its obligations via an Employee Share Trust acquiring HT&E shares on-market during 2019.

Continuing Executive KMP are unable to trade vested shares until the end of a two-year restriction period as set out in the TIP description in section D above. For the 2017 TIP shares, the holding period ends on 31 December 2020. For the 2018 TIP

## Remuneration Report

rights, assuming they vest at the end of the service period, the holding period will end on 31 December 2021, other than for Mike Tyquin and Rob Atkinson whose rights were cash settled during 2018.

There are no rights to deferred share options or deferred shares.

### (II) RECONCILIATION OF RIGHTS

The table below shows a reconciliation of the number of rights held by each Executive KMP from the beginning to the end of the 2018 financial year:

| Name | Balance at start of the year[1] | Exercised / Vested | Granted | Dividend uplift | Redeemed | Balance at end of the year |
|---|---|---|---|---|---|---|
| *Ciaran Davis*[2] | | | | | | |
| Vested and exercisable | 348,261 | (282,006) | – | 37,664 | – | 103,919 |
| Unvested | 66,255 | (66,255) | 395,252 | 224,677 | – | 619,929 |
| Total | 414,516 | (348,261) | 395,252 | 262,341 | – | 723,848 |
| *Jeff Howard* | | | | | | |
| Vested and exercisable | 199,308 | (157,898) | – | 23,541 | – | 64,951 |
| Unvested | 41,410 | (41,410) | 250,542 | 142,419 | – | 392,961 |
| Total | 240,718 | (199,308) | 250,542 | 165,960 | – | 457,912 |
| *Yvette Lamont* | | | | | | |
| Vested and exercisable | 91,060 | (77,043) | – | 7,970 | – | 21,987 |
| Unvested | 14,017 | (14,017) | 67,980 | 38,644 | – | 106,624 |
| Total | 105,077 | (91,060) | 67,980 | 46,614 | – | 128,611 |
| *Rob Atkinson* | | | | | | |
| Vested and exercisable | – | 17,638 | – | 10,028 | (27,666) | – |
| Unvested | 17,638 | (17,638) | 52,481 | 29,833 | (82,314) | – |
| Total | 17,638 | – | 52,481 | 39,861 | (109,980) | – |
| *Mike Tyquin* | | | | | | |
| Vested and exercisable | – | 57,260 | – | 1,999 | (59,259) | – |
| Unvested | 57,260 | (57,260) | 63,214 | 2,206 | (65,420) | – |
| Total | 57,260 | – | 63,214 | 4,205 | (124,679) | – |
| *Total rights* | | | | | | |
| Vested and exercisable | 638,629 | (442,049) | – | 81,202 | (86,925) | 190,857 |
| Unvested | 196,580 | (196,580) | 829,469 | 437,779 | (147,734) | 1,119,514 |
| Total | 835,209 | (638,629) | 829,469 | 518,981 | (234,659) | 1,310,371 |

(1) Balance at start of the year excluding 41,526 rights attributable to Tony Kendall who was a KMP until 31 December 2017.

(2) An actual grant of rights will not be made to the CEO until after shareholder approval has been received at the 2019 AGM.

# Remuneration Report

## I. DIRECTOR AND EXECUTIVE KMP SHAREHOLDINGS

The number of shares in the Company held by each Non-executive Director and Executive KMP during the year including their related parties is summarised below:

| | Balance at start of the year | Change | Balance at end of the year |
|---|---|---|---|
| **Non-executive Directors** | | | |
| Hamish McLennan[1] | – | – | – |
| Roger Amos[1] | – | – | – |
| Paul Connolly | 65,935 | – | 65,935 |
| Belinda Rowe[1] | – | – | – |
| Peter Cullinane[2] | 31,286 | – | 31,286 |
| Anne Templeman-Jones[2] | 10,116 | – | 10,116 |
| Peter Cosgrove[2] | 155,381 | – | 155,381 |
| Robert Kaye[2] | – | – | – |
| Christine Holman[2] | 57,244 | – | 57,244 |
| **Executive KMP** | | | |
| Ciaran Davis | 71,873 | 348,261 | 420,134 |
| Jeff Howard | 104,066 | 199,308 | 303,374 |
| Yvette Lamont | 24,083 | 91,060 | 115,143 |
| Rob Atkinson | – | – | – |
| Tony Kendall[3] | – | – | – |
| Mike Tyquin[3] | – | – | – |

(1) Hamish McLennan became a Non-executive Director on 30 October 2018. Roger Amos became a Non-executive Director on 30 November 2018. Belinda Rowe became a Non-executive Director on 5 February 2019. Robert Kaye became a Non-executive Director on 19 February 2018. The balance at the start of the year in the table above for the respective individual is the number of shares held at that date.

(2) Peter Cullinane retired as a Non-executive Director on 7 May 2018. Anne Templeman-Jones resigned as a Non-executive Director on 14 May 2018. Peter Cosgrove retired as a Non-executive Director on 30 June 2018. Robert Kaye resigned as a Non-executive Director on 11 September 2018. Christine Holman resigned as a Non-executive Director on 3 December 2018. The balance at the end of the year in the table above for the respective individual is the number of shares held at that date.

(3) Tony Kendall ceased to be an Executive KMP on 31 December 2017. Mike Tyquin ceased to be an Executive KMP on 28 September 2018. The balance at the end of the year in the table above is the number of shares held at that date.

## J. OTHER STATUTORY DISCLOSURES

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

There are no loans from the Company to the Non-executive Directors or Executive KMP.

### (II) SECURITIES TRADING POLICY AND GUIDELINES

The Company's Securities Trading Policy and Guidelines is outlined in the Corporate Governance Statement, which can be found on the Company website. Under the policy, restricted persons, which include KMP, are not permitted to hedge any options, rights or similar instruments prior to them becoming vested or otherwise tradable under the applicable plan.

### (III) VOTING AND COMMENTS MADE AT THE COMPANY'S 2018 AGM

The Company received more than 84% of 'yes' votes on its Remuneration Report for the 2017 financial year, and more than 99% of 'yes' votes to the granting of deferred rights to the CEO. No major remuneration related concerns were raised which required the Company's attention during the 2018 financial year.

### (IV) EXTERNAL REMUNERATION CONSULTANTS

During 2018, HT&E made use of external remuneration consultants. No recommendations in relation to KMP remuneration were provided during 2018.

## Remuneration Report

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

### (V) RELATED PARTY DISCLOSURES

During 2017, HT&E entered into an arrangement with MediaCap Fund No. 1 Trust (Trust) to potentially provide advertising inventory to the Trust in return for equity investment in as-yet-to-be identified start-up, high growth organisations. The Trust and MediaCap Pty Limited (Trustee) were deemed to be related parties of HT&E under the *Corporations Act 2001* as Peter Cosgrove was Chairman of the Board of HT&E as well as on the Investment Committee of the Trust, and was a shareholder of the Trustee.

During the year, Mr Cosgrove sold his shares in the Trustee and retired as a Director of HT&E. MediaCap ceased to be a related party of HT&E on 11 May 2018.

# Auditor's Independence Declaration

As lead auditor for the audit of HT&E Limited for the year ended 31 December 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 HT&E Limited and the entities it controlled during the period.

MK Graham
Partner
PricewaterhouseCoopers

Sydney
13 February 2019

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# Consolidated Financial Statements

## ABOUT THE FINANCIAL STATEMENTS

The financial statements are for the consolidated entity consisting of HT&E Limited (Company) and its controlled entities (collectively the Group). The Company is a for profit company limited by ordinary shares, incorporated and domiciled in Australia. The ordinary shares are publicly traded on the Australian Securities Exchange.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 13 February 2019. The Directors have the power to amend and reissue the financial statements.

### BASIS OF PREPARATION

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

All new and amended Australian Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period have been adopted. Refer to note 6.5 for further details.

The financial report is presented in Australian dollars which is the Company's functional and presentation currency.

It has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) and certain classes of property, plant and equipment.

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

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

### KEY JUDGEMENTS AND ESTIMATES

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

Note 2.1 Intangible assets; and

Note 4.1 Income tax and deferred tax.

### SIGNIFICANT EVENTS IN THE CURRENT REPORTING PERIOD

During the current financial year, the financial position and performance of the Group were particularly affected by the following events and transactions:

#### Sale of Adshel

The Company announced on 28 September 2018 that it had completed the sale of Adshel (previously disclosed as Adshel operating segment) to oOh!media Limited for $570 million. This includes the Australian and New Zealand entities, Adshel Street Furniture Pty Limited A.C.N. 000 081 872 and Adshel New Zealand Limited C.N.902243 respectively. Refer to note 6.1 for more information.

After paying associated transaction costs and any completion adjustments, net proceeds on completion were used to pay down existing debt, pay a special dividend (refer to note 3.8) and commence a share buyback (refer to note 3.5).

# Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2018

| | Note | 2018 $'000 | Restated* 2017 $'000 |
|---|---|---|---|
| Revenue from continuing operations | 1.1 | **271,777** | 259,928 |
| Other revenue and income | 1.1 | **8,433** | 7,484 |
| Total revenue and other income | | **280,210** | 267,412 |
| Expenses from continuing operations before finance costs, depreciation and amortisation | 1.2 | **(206,964)** | (197,124) |
| Finance costs | 1.2 | **(6,992)** | (9,172) |
| Depreciation and amortisation | 1.2 | **(4,639)** | (6,542) |
| Share of profits of associates | 5.4 | **468** | 1,252 |
| **Profit before income tax** | | **62,083** | 55,826 |
| Income tax expense | 4.1 | **(19,063)** | (17,382) |
| **Profit from continuing operations** | | **43,020** | 38,444 |
| Profit/(loss) from discontinued operations | 6.1 | **188,009** | (149,375) |
| **Profit/(loss) for the year** | | **231,029** | (110,931) |
| **Profit/(loss) for the year is attributable to:** | | | |
| Owners of the parent entity | | **225,544** | (117,486) |
| Non-controlling interests | | **5,485** | 6,555 |
| Profit/(loss) for the year | | **231,029** | (110,931) |

| | | Cents | Cents |
|---|---|---|---|
| **Earnings per share from continuing operations** | | | |
| Basic earnings per share | 1.4 | **12.2** | 10.4 |
| Diluted earnings per share | 1.4 | **12.2** | 10.4 |
| **Earnings per share from continuing and discontinued operations** | | | |
| Basic earnings per share | 1.4 | **73.3** | (38.2) |
| Diluted earnings per share | 1.4 | **73.1** | (38.2) |

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

* The Group has initially applied AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* at 1 January 2018. Under the transition methods chosen, comparative information is restated for the implementation of AASB 15. Refer to notes 1.1 and note 3.3 respectively.

# Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2018

| | Note | 2018 $'000 | Restated* 2017 $'000 |
|---|---|---|---|
| **Profit/(loss) for the year** | | **231,029** | (110,931) |
| *Items that may be reclassified to profit or loss* | | | |
| Net exchange difference on translation of foreign operations | 3.7 | **1,746** | (5,536) |
| Net gain on fair value hedges | 3.7 | **544** | 2 |
| Reclassification of foreign currency translation reserve to profit or loss on sale of Adshel | 3.7 | **3,504** | – |
| **Other comprehensive income, net of tax** | | **5,794** | (5,534) |
| **Total comprehensive income** | | **236,823** | (116,465) |
| **Total comprehensive income is attributable to:** | | | |
| Owners of the parent entity | | **231,338** | (123,020) |
| Non-controlling interests | | **5,485** | 6,555 |
| | | **236,823** | (116,465) |
| **Total comprehensive income attributable to owners of the parent entity arises from:** | | | |
| Continuing operations | | **38,437** | 31,779 |
| Discontinued operations | | **192,901** | (154,799) |
| | | **231,338** | (123,020) |

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

* The Group has initially applied AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* at 1 January 2018. Under the transition methods chosen, comparative information is restated for the implementation of AASB 15. Refer to notes 1.1 and note 3.3 respectively.

# Consolidated Balance Sheet

AS AT 31 DECEMBER 2018

| | Note | 2018 $'000 | Restated* 2017 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 3.2 | **128,355** | 18,773 |
| Receivables | 2.3 | **55,177** | 91,006 |
| Inventories | | **–** | 2,344 |
| Other current assets | | **2,265** | 9,332 |
| Total current assets | | **185,797** | 121,455 |
| **Non-current assets** | | | |
| Shares in other corporations | 5.3 | **35,403** | 33,279 |
| Investments accounted for using the equity method | 5.4 | **18,829** | 18,696 |
| Property, plant and equipment | 2.2 | **16,650** | 84,098 |
| Intangible assets | 2.1 | **429,585** | 769,235 |
| Deposit of tax in dispute | 4.1 | **50,670** | – |
| Other non-current assets | | **11,188** | 2,937 |
| Total non-current assets | | **562,325** | 908,245 |
| **Total assets** | | **748,122** | 1,029,700 |
| **Current liabilities** | | | |
| Payables | | **24,250** | 60,003 |
| Contract liabilities | 1.1 | **10,773** | 5,993 |
| Current tax liabilities | 4.1 | **11,566** | 20,218 |
| Provisions | 2.4 | **6,983** | 14,021 |
| Total current liabilities | | **53,572** | 100,235 |
| **Non-current liabilities** | | | |
| Payables | | **610** | 2,632 |
| Interest bearing liabilities | 3.1 | **–** | 133,077 |
| Derivative liabilities | | **–** | 778 |
| Provisions | 2.4 | **4,250** | 19,700 |
| Deferred tax liabilities | 4.1 | **117,558** | 150,599 |
| Total non-current liabilities | | **122,418** | 306,786 |
| **Total liabilities** | | **175,990** | 407,021 |
| **Net assets** | | **572,132** | 622,679 |
| **Equity** | | | |
| Contributed equity | 3.5 | **1,492,555** | 1,531,567 |
| Reserves | 3.7 | **(43,809)** | (50,712) |
| Accumulated losses | 3.7 | **(913,478)** | (895,095) |
| Total parent entity interest | | **535,268** | 585,760 |
| Non-controlling interests | | **36,864** | 36,919 |
| **Total equity** | | **572,132** | 622,679 |

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

* The Group has initially applied AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* at 1 January 2018. Under the transition methods chosen, comparative information is restated for the implementation of AASB 15. Refer to notes 1.1 and note 3.3 respectively.

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2018

| | Note | 2018 $'000 | Restated* 2017 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | **465,017** | 516,421 |
| Payments to suppliers and employees (inclusive of GST) | | **(386,839)** | (426,195) |
| Dividends received | | **4,878** | 4,150 |
| Interest received | | **1,002** | 213 |
| Interest paid | | **(7,395)** | (9,075) |
| Income taxes paid | | **(31,199)** | (10,360) |
| Prepayment of tax in dispute | | **(50,670)** | – |
| **Net cash (outflows)/ inflows from operating activities** | 3.2 | **(5,206)** | 75,154 |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | **(17,484)** | (11,584) |
| Payments for software | | **(3,136)** | (3,922) |
| Payments for other intangible assets | | **(6)** | (1,849) |
| Proceeds from sale of property, plant and equipment | | **59** | 25 |
| Investment in associates | | **–** | (3,687) |
| Net proceeds/(payments) from sale of businesses | | **564,553** | (878) |
| Loans to joint ventures | | **(6,294)** | (700) |
| Net loans repaid by other entities | | **312** | 812 |
| Dividends received from associate | | **1,250** | – |
| **Net cash inflows/(outflows) from investing activities** | | **539,254** | (21,783) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | **97,000** | 81,506 |
| Repayments of borrowings | | **(230,792)** | (110,416) |
| Payments for borrowing costs | | **(2,078)** | – |
| Payments for treasury shares | 3.7 | **(197)** | (1,779) |
| Dividends paid to shareholders | 3.8 | **(244,039)** | (17,978) |
| Payments for share buyback | 3.5 | **(39,012)** | – |
| Net payments to non-controlling interests | | **(5,540)** | (5,514) |
| **Net cash outflows from financing activities** | | **(424,658)** | (54,181) |
| **Change in cash and cash equivalents** | | **109,390** | (810) |
| Cash and cash equivalents at beginning of the year | | **18,773** | 20,223 |
| Effect of exchange rate changes | | **192** | (640) |
| **Cash and cash equivalents at end of the year** | 3.2 | **128,355** | 18,773 |

The above consolidated statement of cash flows includes cash flows from continuing and discontinued operations and should be read in conjunction with the accompanying notes.

* The Group has initially applied AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* at 1 January 2018. Under the transition methods chosen, comparative information is restated for the implementation of AASB 15. Refer to notes 1.1 and note 3.3 respectively.

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2018

| | Note | Contributed equity $'000 | Reserves $'000 | Accumulated losses $'000 | Total $'000 | Non-controlling interests $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2017 | | 1,528,022 | (45,347) | (682,088) | **800,587** | 35,878 | **836,465** |
| Change in accounting policy | | – | – | (73,997) | **(73,997)** | – | **(73,997)** |
| Restated total equity at beginning of the period 1 January 2017 | | 1,528,022 | (45,347) | (756,085) | **726,590** | 35,878 | **762,468** |
| (Loss)/ Profit for the period | | – | – | (117,486) | **(117,486)** | 6,555 | **(110,931)** |
| Other comprehensive income | | – | (5,534) | – | **(5,534)** | – | **(5,534)** |
| Share-based payments expense | 3.7 | – | 1,948 | – | **1,948** | – | **1,948** |
| Dividends paid | 3.8 | – | – | (21,524) | **(21,524)** | – | **(21,524)** |
| Shares issued under dividend reinvestment plan | 3.5 | 3,545 | – | – | **3,545** | – | **3,545** |
| Acquisition of treasury shares | 3.7 | – | (1,779) | – | **(1,779)** | – | **(1,779)** |
| Transactions with non-controlling interests | | – | – | – | **–** | (5,514) | **(5,514)** |
| **Balance at 31 December 2017** | | 1,531,567 | (50,712) | (895,095) | **585,760** | 36,919 | **622,679** |
| | | | | | | | |
| Balance at 1 January 2018 | | 1,531,567 | (50,712) | (895,095) | **585,760** | 36,919 | **622,679** |
| Profit for the period | | – | – | 225,544 | **225,544** | 5,485 | **231,029** |
| Other comprehensive income | | – | 5,794 | – | **5,794** | – | **5,794** |
| Share-based payments | 3.7 | – | 594 | – | **594** | – | **594** |
| Share buy-back | 3.5 | (39,012) | – | – | **(39,012)** | – | **(39,012)** |
| Dividends paid | 3.8 | – | – | (244,039) | **(244,039)** | – | **(244,039)** |
| Transfers within equity | 3.7 | – | (112) | 112 | **–** | – | **–** |
| Treasury shares vested to employees | 3.7 | – | 824 | – | **824** | – | **824** |
| Acquisition of treasury shares | 3.7 | – | (197) | – | **(197)** | – | **(197)** |
| Transactions with non-controlling interests | | – | – | – | **–** | (5,540) | **(5,540)** |
| **Balance at 31 December 2018** | | 1,492,555 | (43,809) | (913,478) | **535,268** | 36,864 | **572,132** |

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

* The Group has initially applied AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* at 1 January 2018. Under the transition methods chosen, comparative information is restated for the implementation of AASB 15. Refer to notes 1.1 and note 3.3 respectively.

# Notes to the Consolidated Financial Statements

## 1 GROUP PERFORMANCE

### 1.1 REVENUES

| | Note | 2018 $'000 | Restated* 2017 $'000 |
|---|---|---|---|
| **Revenue and other income** | | | |
| **From continuing operations** | | | |
| Broadcast revenue | | **217,358** | 216,553 |
| Advertising revenue | | **46,053** | 36,042 |
| Services revenue | | **8,132** | 6,755 |
| Other revenue | | **234** | 578 |
| **Revenue from continuing operations** | | **271,777** | 259,928 |
| Gain on financial assets held at fair value through profit or loss | | **1,912** | 2,803 |
| Dividend income | | **4,878** | 4,150 |
| Other | | **639** | 429 |
| **Other income** | | **7,429** | 7,382 |
| Interest income | | **1,004** | 102 |
| **Finance income** | | **1,004** | 102 |
| **Total other revenue and income** | | **8,433** | 7,484 |
| **Total revenue and other income** | | **280,210** | 267,412 |
| **From discontinued operations** | | | |
| Total revenue and other income | 6.1 | **153,342** | 228,150 |
| Gain on sale | 6.1 | **164,845** | – |

* The Group has initially applied AASB 15 *Revenue from Contracts with Customers* at 1 January 2018. Under the transition methods chosen, comparative information is restated. Changes in revenue accounting policy due to adoption of AASB 15 are detailed below.

The Group derives revenue from the transfer of services over time and at a point in time in the following major service lines and geographical regions:

| | 2018 $'000 | | 2017 $'000 | |
|---|---|---|---|---|
| | Australia | Asia | Australia | Asia |
| Timing of revenue recognition | | | | |
| *Over time* | | | | |
| Broadcast revenue | **217,358** | **–** | 216,553 | – |
| Advertising revenue | **23,317** | **22,736** | 17,637 | 18,405 |
| *At a point in time* | | | | |
| Services revenue | **–** | **8,132** | – | 6,755 |
| Other revenue | **234** | **–** | 578 | – |
| **Total** | **240,909** | **30,868** | 234,768 | 25,160 |

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

# Notes to the Consolidated Financial Statements

## 1.1 REVENUES (CONTINUED)

### CHANGES IN ACCOUNTING STANDARDS

AASB 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for determining the quantum and timing of revenue recognition. The AASB equivalent of IFRS 15 *Revenue from Contract with Customers* replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations.

(a) Impact on opening retained earnings and financial statements

The Group has adopted AASB 15 using the full retrospective approach with changes reflected in each prior reporting period presented. The impact, net of tax, of transition to AASB 15 on retained earnings as at 1 January 2017 was immaterial and therefore no adjustment posted.

Implementation of AASB 15 resulted in a reclassification of deferred revenue to contract liabilities of $10.8 million as at 31 December 2018 for continuing and discontinued operations (2017: $6.0 million). Consistent with the new accounting standard, revenue and expenses from continuing operations for the 12 months ended 31 December 2018 increased for rebates and contra revenue of $0.6 million and $5.4 million respectively (2017: $1.0 million and $5.5 million respectively). Revenue and expenses from discontinued operations increased $3.4 million for rebates (2017: $6.8 million).

There was no other material impact on the Group's consolidated income statement, statement of comprehensive income and statement of cash flows for the 12 months ended 31 December 2018.

### ACCOUNTING POLICY

*Revenue*

The Group has concluded AASB 15 does not have a significant impact on the Group's existing revenue accounting policies. The key revenue streams and policies are detailed below:

Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control requires judgement. The Group recognises revenue when:

- The amount of revenue can be reliably measured;
- It is probable the economic benefit will flow to the Group; and
- The criteria for revenue recognition for each revenue stream have been satisfied.

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

# Notes to the Consolidated Financial Statements

## 1.1 REVENUES (CONTINUED)

### ACCOUNTING POLICY (CONTINUED)

| Type of product/service | Segment | Nature and timing of satisfaction of performance obligations |
|---|---|---|
| Broadcast revenue | ARN | Revenue is recognised over time based on the contract term. The advertising benefits are transferred to the customer when each advertisement is aired per the contract terms. |
| Media display advertising revenue | ARN, HK Outdoor, Adshel (discontinued operations) | Similar to broadcast revenue, revenue is recognised over time, when the advertisement is displayed or published. |
| Services revenue | All | Includes production and installation revenue. Production and installation revenue, where it is a distinct service, is recognised by reference to stage of completion of the service. |
| Other revenue | All | Includes sponsorships, royalties, sale of street furniture (discontinued operation) and cleaning and maintenance revenue. Revenue is recognised when the service occurs. |

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

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

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

# Notes to the Consolidated Financial Statements

## 1.2 EXPENSES

| | Note | 2018 $'000 | Restated* 2017 $'000 |
|---|---|---|---|
| **From continuing operations** | | | |
| Employee benefits expense | | **100,683** | 100,216 |
| Production and distribution expense | | **19,238** | 18,161 |
| Selling and marketing expense | | **41,913** | 38,159 |
| Rental and occupancy expense | | **29,970** | 26,975 |
| Repairs and maintenance costs | | **1,849** | 1,900 |
| Travel and entertainment costs | | **3,205** | 2,675 |
| Onerous contract and other costs | | **478** | 907 |
| Write-back of acquisition costs | | **(1,367)** | – |
| Other expenses | | **10,995** | 8,131 |
| **Total expenses before finance costs, depreciation and amortisation** | | **206,964** | 197,124 |
| Interest and finance charges | | **6,445** | 8,118 |
| Borrowing costs amortisation | | **547** | 1,054 |
| **Total finance costs** | | **6,992** | 9,172 |
| Depreciation | | **3,872** | 5,673 |
| Amortisation | | **767** | 869 |
| **Total depreciation and amortisation** | | **4,639** | 6,542 |
| **Rental expense relating to operating leases** | | | |
| Property | | **7,642** | 7,409 |
| Outdoor site rentals | | | |
| Minimum lease payments | | **14,046** | 14,565 |
| Contingent rentals | | **5,764** | 2,596 |
| Other | | **294** | 246 |
| **From discontinued operations** | | | |
| Total expenses | 6.1 | **121,463** | 372,636 |

* The Group has initially applied AASB 15 *Revenue from Contracts with Customers* at 1 January 2018. Under the transition methods chosen, comparative information is restated. Changes in revenue accounting policy due to adoption of AASB 15 are detailed in note 1.1.

# Notes to the Consolidated Financial Statements

## 1.3 SEGMENT INFORMATION

### (I) DESCRIPTION OF SEGMENTS

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

| Reportable segment | Principal activities |
|---|---|
| Australian Radio Network | Metropolitan radio networks (Australia) and digital advertising |
| HK Outdoor | Billboard, transit and other outdoor advertising (Hong Kong) |
| Digital Investments | Includes controlling interests in Emotive and equity accounted investments in Soprano Design Pty Limited, HT&E Events Pty Limited and Unbnd Group Pty Ltd. |

The Directors and senior management team assess the performance of the operating segments based on a measure of earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations which excludes the effects of exceptional items such as gains or losses on disposals of businesses and restructuring related costs.

The sale of the Adshel business was completed on 28 September 2018. The Adshel business segment is included as a discontinued operations in note 6.1.

In 2018, Conversant Media was transferred from the Digital Investments segment to the Australian Radio Network segment. The operations of Conversant Media were fully integrated with the Australian Radio Network in 2018. Therefore, it was considered appropriate to report the results of Conversant Media as part of the Australian Radio Network segment. Comparatives have been restated to reflect this change.

### (II) RESULTS BY OPERATING SEGMENT

The segment information provided to the Directors and senior management team for the year ended 31 December 2018 is as follows:

| 2018<br>$'000 | Australian Radio Network | HK Outdoor | Digital Investments | Corporate | Group elimination | Total |
|---|---|---|---|---|---|---|
| Revenue from external customers | 235,483 | 30,871 | 5,688 | – | (265) | **271,777** |
| Share of profits of associates | – | – | 468 | – | – | **468** |
| Segment result | 84,596 | 1,206 | 1,263 | (15,244) | – | **71,821** |
| Segment assets | 524,227 | 22,540 | 30,654 | 170,701 | – | **748,122** |
| Segment liabilities | 22,295 | 12,376 | 3,561 | 137,758 | – | **175,990** |
| **Reconciliation of segment result to profit before income tax from continuing operations** | | | | | | |
| **Segment result** | | | | | | **71,821** |
| Depreciation and amortisation[A] | | | | | | **(4,639)** |
| Net finance costs | | | | | | **(5,988)** |
| Lease costs[B] | | | | | | **(478)** |
| Other costs[C] | | | | | | **1,367** |
| **Profit before income tax from continuing operations** | | | | | | **62,083** |

Explanation of statutory adjustments
(A) Consists of depreciation of $3.9 million and amortisation of $0.8 million. Refer to note 1.2.
(B) Decommissioning and onerous lease costs relating to Hong Kong.
(C) Reversal of earn-out provision related to the 2016 Conversant Media acquisition.

# Notes to the Consolidated Financial Statements

## 1.3 SEGMENT INFORMATION (CONTINUED)

### (II) RESULTS BY OPERATING SEGMENT (CONTINUED)

| 2017<br>$'000 | Australian Radio Network | HK Outdoor | Digital Investments | Corporate | Group elimination | Restated* total |
|---|---|---|---|---|---|---|
| Revenue from external customers | 229,444 | 25,161 | 7,190 | – | (1,867) | **259,928** |
| Share of profits of associates | – | – | 1,252 | – | – | **1,252** |
| Segment result | 83,354 | (1,761) | 1,176 | (15,847) | – | **66,922** |
| Segment assets | 523,433 | 15,170 | 23,690 | 9,875 | – | **572,168** |
| Segment liabilities | 27,379 | 7,949 | 3,581 | 307,709 | – | **346,618** |
| **Reconciliation of segment result to profit before income tax from continuing operations** | | | | | | |
| **Segment result** | | | | | | **66,922** |
| Depreciation and amortisation[A] | | | | | | **(6,542)** |
| Net finance costs | | | | | | **(9,070)** |
| Licence fee relief[B] | | | | | | **5,423** |
| Other costs[C] | | | | | | **(907)** |
| **Profit before income tax from continuing operations** | | | | | | **55,826** |

Explanation of statutory adjustments

(A) Consists of depreciation of $5.7 million (including $0.8 million exceptional item for prior year makegood depreciation) and amortisation of $0.9 million. Refer to note 1.2.

(B) One-off benefit from the retrospective application of Australian Communications and Media Authority (ACMA) licence fee relief for the prior period announced by the Australian Government in June 2017. This is included in other expenses in note 1.2.

(C) Refers mainly to restructuring costs associated with the Australian Radio Network division.

* The Group has initially applied AASB 15 *Revenue from Contracts with Customers* at 1 January 2018. Under the transition methods chosen, comparative information is restated. Changes in revenue accounting policy due to adoption of AASB 15 are detailed in note 1.1.

### (III) OTHER SEGMENT INFORMATION

The Group is domiciled in Australia and operates predominantly in Australia and with the HK Outdoor business based in Asia. Revenue from external customers in Australia is $240.9 million (2017: $234.8 million) and in Asia is $30.9 million (2017: $25.2 million). Segment revenues are allocated based on the country in which the customer is located.

The total of non-current assets located in Australia is $556.8 million (2017: $733.0 million), in New Zealand is $nil (2017: $170.3 million) and in Asia is $5.5 million (2017: $4.9 million). Segment assets are allocated to countries based on where the assets are located.

#### ACCOUNTING POLICY

Segment revenues and expenses comprise amounts that are directly attributable to a segment and the relevant portion that can be allocated on a reasonable basis. Corporate overheads, including centralised finance, legal and administrative costs, are not allocated against operating segments but rather are included above as unallocated amounts.

Segment revenues and results exclude transfers between segments. Such transfers are priced on an arm's length basis and are eliminated on consolidation.

# Notes to the Consolidated Financial Statements

## 1.4 EARNINGS PER SHARE

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **(a) Reconciliation of earnings used in calculating earnings per share (EPS)** | | |
| Profit from continuing operations attributable to owners of the parent entity | **37,535** | 31,889 |
| Profit/ (Loss) from discontinued operations attributable to owners of the parent entity | **188,009** | (149,375) |
| Profit/ (Loss) attributable to owners of the parent entity used in calculating basic/diluted EPS | **225,544** | (117,486) |

| | Number | Number |
|---|---|---|
| **(b) Weighted average number of shares** | | |
| Weighted average number of shares used as the denominator in calculating basic EPS | **307,611,412** | 308,159,504 |
| Weighted average number of treasury shares | **(82,439)** | (463,156) |
| Adjusted for calculation of diluted EPS | | |
| Unvested/ unexercised rights | **1,092,545** | 243,573 |
| Weighted average number of shares used as the denominator in calculating diluted EPS | **308,621,518** | 307,939,921 |

While rights have been issued to Key Management Personnel under the 2018 Total Incentive Plan (TIP), there is no certainty these rights will vest, and if they do, it is the Company's current intention to satisfy any rights by acquiring shares on-market, consistent with recent practice.

### ACCOUNTING POLICY

**Basic earnings per share**

Basic earnings per share is determined by dividing:

- the net profit or loss attributable to owners of the Company; by
- the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

**Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account:

- the after-tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

# Notes to the Consolidated Financial Statements

## 2 OPERATING ASSETS AND LIABILITIES

### 2.1 INTANGIBLE ASSETS

| 2017 $'000 | Goodwill | Software | Radio licences | Brands | Licences and relationships | Total |
|---|---|---|---|---|---|---|
| Cost | 434,502 | 8,219 | 375,284 | 6,698 | 130,325 | **955,028** |
| Accumulated amortisation and impairment | (160,706) | (4,406) | (3,114) | (2,075) | (15,492) | **(185,793)** |
| **Net book amount** | **273,796** | **3,813** | **372,170** | **4,623** | **114,833** | **769,235** |
| Movements | | | | | | |
| Opening net book amount | 437,588 | 258 | 374,006 | 6,712 | 132,236 | **950,800** |
| Additions | – | 4,024 | – | 11 | – | **4,035** |
| Disposals | – | – | (1,200) | – | – | **(1,200)** |
| Impairment | (160,706) | – | – | – | (2,634) | **(163,340)** |
| Amortisation | – | (363) | (636) | (2,080) | (12,954) | **(16,033)** |
| Foreign exchange differences | (3,086) | (106) | – | (20) | (1,815) | **(5,027)** |
| **Closing net book amount** | **273,796** | **3,813** | **372,170** | **4,623** | **114,833** | **769,235** |

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

(i) Movements partially relate to Adshel prior to sale.
(ii) Refer to note 6.1 for further details.

# Notes to the Consolidated Financial Statements

## 2.1 INTANGIBLE ASSETS (CONTINUED)

### ACCOUNTING POLICY

Summary of goodwill and other intangible assets

| Asset | Useful life | Amortisation method | Internally generated or acquired |
|---|---|---|---|
| Goodwill | Indefinite | No amortisation | Acquired |
| Software | 3-5 years | Straight line basis | Internally generated and acquired |
| Radio licences (commercial) – Australia | Indefinite | No amortisation | Acquired |
| Radio licence (digital) – Australia | 11 years | Straight line basis | Acquired |
| Brands – Adshel and Conversant Media | 3-10 years | Straight line basis | Acquired |
| Brands – other | Indefinite | No amortisation | Acquired |
| Licences and relationships | 10-15 years | Straight line basis | Acquired |

**Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill is not amortised but rather is subject to periodic impairment testing as described below.

**Software**

Costs incurred in developing systems and acquiring software and licences are capitalised to software. Costs capitalised include materials, services, payroll and payroll related costs of employees involved in development. Amortisation is calculated on a straight line basis over the useful life of the asset.

**Radio licences – Australia**

Commercial radio licences are accounted for as identifiable assets and are brought to account at cost. The Directors believe the licences have indefinite lives and accordingly, no amortisation has been provided against the carrying amount. The commercial radio licences held by the Group are renewable every five years under the provisions of the *Broadcasting Services Act 1992* and the Directors have no reason to believe that the licences will not be renewed from time to time for the maximum period allowable under the Act and without imposition of any conditions.

The digital radio licence is accounted for as an identifiable asset and is brought to account at cost. The licence is amortised over the term of the contract on a straight line basis.

**Brands**

Brands are accounted for as identifiable assets and are brought to account at cost. The Directors have considered the geographic location, legal, technical and other commercial factors likely to impact the assets' useful lives and consider that they have indefinite lives. Accordingly, no amortisation has been provided against the carrying amount for brands outside of Adshel and Conversant Media.

**Licences and relationships**

Licences and relationships represent future income streams attributable to site licences and associated relationships. They are accounted for as identifiable assets and carried at cost less accumulated amortisation and any accumulated impairment loss. They are amortised on a straight line basis.

# Notes to the Consolidated Financial Statements

## 2.1 INTANGIBLE ASSETS (CONTINUED)

### YEAR-END IMPAIRMENT REVIEW

**KEY JUDGEMENTS AND ESTIMATES**

The Group annually tests whether goodwill and other non-amortising intangible assets have suffered any impairment, in accordance with the accounting policy stated above. The recoverable amounts of cash generating units have been determined based on the higher of fair value less costs to sell, or value in use calculations. These calculations require the use of assumptions. Refer below for details of these assumptions and the potential impact of changes to these assumptions.

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

| Name of CGU | 2018 $'000 Goodwill(ii) | 2018 $'000 Other non-amortising intangibles | 2017 $'000 Goodwill | 2017 $'000 Other non-amortising intangibles |
|---|---|---|---|---|
| Australian Radio Network(i) | **51,494** | **367,451** | 51,494 | 367,451 |
| HK Outdoor | **3,097** | **–** | 2,917 | – |
| Adshel – Australia | **–** | **–** | 127,424 | – |
| Adshel – New Zealand | **–** | **–** | 91,471 | – |
| Emotive | **490** | **–** | 490 | – |
| Total goodwill and other non-amortising intangible assets | **55,081** | **367,451** | 273,796 | 367,451 |

(i) Conversant Media integrated into ARN CGU. Refer to note 1.3.
(ii) Goodwill has reduced due to the sale of Adshel. Refer to note 6.1.

### (IV) YEAR-END IMPAIRMENT REVIEW OF CGUS INCLUDING INDEFINITE LIFE INTANGIBLE ASSETS

A comprehensive impairment review was conducted at 31 December 2018. The recoverable amount of each CGU that includes goodwill or indefinite life intangible assets was reviewed.

The recoverable amount of the Australian Radio Network and HK Outdoor CGUs were based on value in use calculations, using management budgets and forecasts for a 3 year period after adjusting for central overheads.

The key assumptions used to calculate the recoverable amount are:

# Notes to the Consolidated Financial Statements

## 2.1 INTANGIBLE ASSETS (CONTINUED)

### (i) Cash flows

| | |
|---|---|
| Year 1 cash flows | Based on Board approved annual budget. |
| Years 2 and 3 cash flows | Revenue forecasts are prepared based on management's current assessment for each CGU, with consideration given to internal information and relevant external industry data and analysis. In general:<br>• market growth in the Australian Radio Network CGU is forecast across the cash flow period. The revenue forecast assumes the Australian Radio Network CGU will gain additional market share or reclaim lost market share through continued investment in content, marketing and operations;<br>• market growth in HK Outdoor CGU is forecast across the cash flow period. The revenue forecast assumes HK Outdoor CGU will gain additional market share through investment in sales and marketing capabilities and key site contracts. Future yield growth in the existing asset base is also assumed; and<br>• expenses are forecast on a detailed basis, based on their nature. Variable costs are forecast to move in line with revenue movements. Personnel costs are forecast to move in line with headcount and adjusted for expected inflation. Other costs are forecast based on management expectations, considering existing contractual arrangements. |
| Beyond 3 year cash flows | Cash flows beyond three years are extrapolated at growth rates not exceeding the long-term average growth rate for the industry in which the CGU operates. |

### (ii) Discount rate and long-term growth rate

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

| Name of CGU | 2018 Post-tax discount rate per annum | 2018 Long-term growth rate per annum | 2017 Post-tax discount rate per annum | 2017 Long-term growth rate per annum |
|---|---|---|---|---|
| Australian Radio Network | **10.0%** | **2.0%** | 10.0% | 2.0% |
| HK Outdoor | **10.0%** | **2.0%** | 10.0% | 2.0% |

No impairment was recognised for these CGUs at 31 December 2018.

### ACCOUNTING POLICY

**Impairment**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever there is an indication that they may be impaired. Assets that are subject to amortisation are tested for impairment whenever changes in circumstances indicate that the asset's carrying amount may exceed its recoverable amount. An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

# Notes to the Consolidated Financial Statements

## 2.2 PROPERTY, PLANT AND EQUIPMENT

| 2017<br>$'000 | Freehold land | Buildings | Plant and equipment | Total |
|---|---|---|---|---|
| Cost or fair value | 1,083 | 707 | 247,032 | **248,822** |
| Accumulated depreciation and impairment | – | (82) | (176,788) | **(176,870)** |
| Capital works in progress | – | – | 12,146 | **12,146** |
| **Net book amount** | **1,083** | **625** | **82,390** | **84,098** |
| Movements | | | | |
| Opening net book amount | 1,083 | 663 | 92,076 | **93,822** |
| Additions | – | – | 11,584 | **11,584** |
| Disposals | – | – | (144) | **(144)** |
| Depreciation | – | (38) | (23,200) | **(23,238)** |
| Transfers and other adjustments | – | – | 3,298 | **3,298** |
| Foreign exchange differences | – | – | (1,224) | **(1,224)** |
| **Closing net book amount** | **1,083** | **625** | **82,390** | **84,098** |

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

(i) Movements partially relate to Adshel prior to sale.
(ii) Refer to note 6.1 for further details.

# Notes to the Consolidated Financial Statements

## 2.2 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### ACCOUNTING POLICY

Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited to revaluation reserve in equity. To the extent that the increase reverses a decrease previously recognised in the income statement, the increase is first recognised in the income statement. Decreases that reverse previous increases of the same asset are first charged against revaluation reserve directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement.

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

**Finance 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 fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Leased assets held at balance date are amortised over the shorter of the estimated useful life or the lease term.

**Depreciation**

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- buildings: 50 years;
- street furniture: based on contract term;
- digital screens: 7 years;
- plant and equipment: 3-25 years; and
- motor vehicles: 4-7 years.

The property, plant and equipment acquired under finance leases are amortised over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance date. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

**Impairment of assets**

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Assets that are subject to depreciation (amortisation) are tested for impairment whenever changes in circumstances indicate that the asset's carrying amount may exceed its recoverable amount. An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Assets that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

# Notes to the Consolidated Financial Statements

## 2.3 RECEIVABLES

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Trade receivables | **52,202** | 83,318 |
| Provision for doubtful debts | **(529)** | (781) |
| | **51,673** | 82,537 |
| Other receivables | **3,504** | 8,469 |
| **Total receivables** | **55,177** | 91,006 |
| Movements in the provision for doubtful debts are as follows: | | |
| Balance at beginning of the year | **781** | 989 |
| Provision for doubtful debts expense | **–** | 129 |
| Sale of Adshel[i] | **(155)** | – |
| Receivables written off | **(97)** | (337) |
| **Provision for doubtful debts** | **529** | 781 |

[i] Refer to note 6.1 for further details.

Refer below for an analysis of the ageing of the Group's trade receivables net of provision for doubtful debts:

| | | Past due | | | | |
|---|---|---|---|---|---|---|
| | Current $'000 | Less than one month $'000 | One to three months $'000 | Three to six months $'000 | Over six months $'000 | Total $'000 |
| **2017** | | | | | | |
| Trade receivables | 64,743 | 10,871 | 5,981 | 1,436 | 287 | **83,318** |
| Provision for doubtful debts | – | (199) | (234) | (233) | (115) | **(781)** |
| | 64,743 | 10,672 | 5,747 | 1,203 | 172 | **82,537** |
| **2018** | | | | | | |
| Trade receivables | 39,989 | 9,222 | 2,248 | 578 | 165 | **52,202** |
| Provision for doubtful debts | (9) | (126) | (96) | (195) | (103) | **(529)** |
| | 39,980 | 9,096 | 2,152 | 383 | 62 | **51,673** |

As at 31 December 2018, trade receivables of $11.0 million (2017: $16.9 million) were past due but not impaired.

Based on the credit history of the trade receivables, it is expected that these amounts will be received. All other receivables are not past due and not considered impaired.

The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each receivable. The Group does not hold any collateral as security. Refer to note 3.3 for credit risk and note 3.4 for fair value information.

# Notes to the Consolidated Financial Statements

## 2.3 RECEIVABLES (CONTINUED)

### ACCOUNTING POLICY

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for doubtful debts. Trade receivables are generally settled within 30 to 45 days and therefore classified as current. Due to their short-term nature, the carrying value represents fair value.

The provision for doubtful debts is impacted by the adoption of AASB 9 *Financial Instruments (expected credit loss model).* Refer to note 3.3(B).

# Notes to the Consolidated Financial Statements

## 2.4 PROVISIONS

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Current** | | |
| Employee benefits | **5,083** | 6,911 |
| Contingent consideration | **1,500** | – |
| Compliance obligations | **–** | 6,421 |
| Other | **400** | 689 |
| **Total current provisions** | **6,983** | 14,021 |
| **Non-current** | | |
| Employee benefits | **1,045** | 1,111 |
| Contingent consideration | **–** | 2,300 |
| Compliance obligations | **–** | 12,590 |
| Other | **3,205** | 3,699 |
| **Total non-current provisions** | **4,250** | 19,700 |

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

| 2018 | Onerous contracts $'000 | Compliance obligations $'000 | Contingent consideration $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|---|
| Carrying amount at beginning of the year | – | 19,011 | 2,300 | 4,388 | **25,699** |
| Additional amounts recognised | 4,000 | – | – | 1,314 | **5,314** |
| Amounts used | – | – | – | (806) | **(806)** |
| Investments in associates | – | – | (800) | – | **(800)** |
| Release of provision[1] | – | (16,161) | – | – | **(16,161)** |
| Sale of Adshel[2] | (4,000) | (2,850) | – | (1,293) | **(8,143)** |
| Foreign exchange differences | – | – | – | 2 | **2** |
| **Carrying amount at end of the year** | **–** | **–** | **1,500** | **3,605** | **5,105** |

(1) Release of provision not going to be utilised.
(2) Refer to note 6.1 for further details.

# Notes to the Consolidated Financial Statements

## 2.4 PROVISIONS (CONTINUED)

### ACCOUNTING POLICY

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

**Employee benefits**

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and long service leave, in respect of employees' services up to the reporting date expected to be settled wholly within 12 months from the reporting date are measured at the amounts expected to be paid when settled.

Liabilities for annual leave and long service leave not expected to be settled wholly within 12 months after the end of the reporting date are measured as the present value of expected future payments to be made. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds rates with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the consolidated balance sheet if the entity does not have an unconditional right to defer settlement for 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

**Onerous contracts**

The onerous contracts provision represents contracts where the expected economic benefit is lower than the cost for which the Group is currently committed under the terms of the contract. The minimal net obligation under the contract is provided for. The provision is calculated as the net of the estimated revenue and the committed cost discounted to present value.

**Contingent consideration**

The contingent consideration provision comprises the fair value of amounts payable on business combinations and investments in associates should certain pre-determined thresholds be met by the acquired businesses.

## Notes to the Consolidated Financial Statements

### 3 CAPITAL MANAGEMENT

### 3.1 INTEREST BEARING LIABILITIES

| | Note | 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| Non-current interest bearing liabilities | | | |
| Bank loans – secured | | – | 133,604 |
| | | – | 133,604 |
| Deduct: | | | |
| Borrowing costs | | **2,078** | 7,401 |
| Accumulated amortisation | | **(20)** | (6,874) |
| **Net borrowing costs** | | **2,058** | 527 |
| **Total non-current interest bearing liabilities(i)** | | **(2,058)** | 133,077 |
| **Net Debt (i)** | | | |
| Non-current interest bearing liabilities | | **(2,058)** | 133,077 |
| Net borrowing costs | | **2,058** | 527 |
| Cash and cash equivalents | 3.2 | **(128,355)** | (18,773) |
| **Net (cash)/ debt** | | **(128,355)** | 114,831 |

(i) net borrowing costs as at 31 December 2018 is disclosed in other non-current assets on the consolidated balance sheet.

Following the sale of Adshel, the Company repaid its syndicated secured facility ($191 million drawn at the time of repayment). Due to expire in July 2019, the Company refinanced its debt facilities in December 2018; the new facilities mostly expire in 2023.

#### (A) RISK EXPOSURES

The exposures of borrowings to interest rate changes and the contractual repricing at the balance dates are as follows:

| | Six months or less $'000 | Six to 12 months $'000 | One to five years $'000 | Greater than five years $'000 | Total $'000 |
|---|---|---|---|---|---|
| 2017 | 33,604 | – | 100,000 | – | **133,604** |
| 2018 | – | – | – | – | **–** |

The carrying amounts of borrowing are denominated in the following currencies:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Australian dollars | – | 129,000 |
| Hong Kong dollars | – | 4,604 |
| Interest bearing liabilities | – | 133,604 |

For an analysis of the sensitivity of borrowings to interest rate risk, refer to note 3.3.

# Notes to the Consolidated Financial Statements

## 3.1 INTEREST BEARING LIABILITIES (CONTINUED)

### (B) CAPITAL RISK MANAGEMENT

The Group is focused on safeguarding its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain an optimal capital structure, the Group may:

- adjust the number of dividends paid to shareholders;
- return capital to shareholders;
- issue new shares; or
- sell assets to reduce debt.

### (C) STANDBY ARRANGEMENTS AND CREDIT FACILITIES

| Entities in the Group have access to: | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Loan facilities(i) | | |
| Secured bank loan facilities | **–** | 360,000 |
| Unsecured bank loan facilities | **259,053** | – |
| Amount of facility utilised(ii) | **(3,023)** | (139,326) |
| **Amount of available facility** | **256,030** | 220,674 |
| Overdraft facilities | | |
| Unsecured bank overdraft facilities | **1,500** | 1,915 |
| Amount of credit utilised | **–** | – |
| **Amount of available credit** | **1,500** | 1,915 |

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

During the year, separate to the repayment of the revolving cash facility, the bank guarantee facility of $20 million was transferred to oOh!media as part of the sale of Adshel and is therefore no longer a facility available to HT&E. This had been utilised in 2017 ($19.6 million).

### ACCOUNTING POLICY

Interest bearing liabilities are initially recognised at fair value less attributable transaction costs and subsequently measured at amortised cost. Any difference between cost and redemption value is recognised in the income statement over the period of the borrowing on an effective interest basis.

Costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing. These are shown as an asset in the Consolidated Balance Sheet.

# Notes to the Consolidated Financial Statements

## 3.2 CASH FLOW INFORMATION

### RECONCILIATION OF CASH

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Cash at end of the year, as shown in the statement of cash flows, comprises: | | |
| Cash at bank and on hand | **128,355** | 18,773 |
| The below reconciliation relates to both continued and discontinued operations. | | |
| Reconciliation of profit/(loss) for the year to net cash (outflows)/ inflows from operating activities: | | |
| **Profit/(loss) for the year** | **231,029** | (110,931) |
| Depreciation and amortisation | **18,802** | 39,271 |
| Borrowing costs amortisation | **547** | 1,054 |
| Share of profits of associates | **(468)** | (1,252) |
| Interest income from associates | **(79)** | – |
| Other non-cash items | **439** | (235) |
| Licence fee relief | **–** | (5,423) |
| Share-based payments expense | **1,281** | 1,787 |
| Gain on sale of Adshel | **(179,073)** | – |
| Gains on financial assets held at fair value through profit or loss | **(1,912)** | (2,803) |
| Impairment | **–** | 163,340 |
| Net gain on sale of non-current assets | **(59)** | – |
| Changes in assets and liabilities net of effect of acquisitions and changes in accounting policy: | | |
| Trade and other receivables | **(2,170)** | (4,443) |
| Inventories | **757** | (164) |
| Prepayments | **(6,802)** | 4,340 |
| Change in current payable/deferred tax | **(54,089)** | 11,912 |
| Trade and other payables and provision for employee benefits | **(13,409)** | (21,299) |
| **Net cash (outflows)/ inflows from operating activities** | **(5,206)** | 75,154 |

#### ACCOUNTING POLICY

For the purposes of presentation on the statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with financial institutions, net of bank overdrafts.

# Notes to the Consolidated Financial Statements

## 3.3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign exchange risk), credit risk and liquidity risk.

The Group's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group will use derivative financial instruments such as interest rate swaps to hedge certain risk exposures. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risk and ageing analysis for credit risk.

Financial risk management is carried out by the Group Treasury function under policies approved by the Board of Directors. The policies provide principles for overall risk management, as well as covering specific areas, such as interest rate risk, foreign exchange risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

### (A) MARKET RISK

#### (i) Cash flow and fair value interest rate risk

During the year, the Group was exposed to interest rate risk through long-term borrowings. As at 31 December 2018, the Group had no long-term borrowings outstanding. The Group is now exposed to interest rates risk through its cash and cash equivalents balance. A change of +/- 1% per annum with all other variables being constant would impact equity and net profit by $0.9 million. The parent entity has no significant exposure to a change in interest rates.

#### (ii) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. Individual transactions are assessed, and forward exchange contracts are used to hedge the risk where deemed appropriate.

While the Group as a whole has assets and liabilities in multiple currencies, individual entities in the Group do not have a significant foreign exchange exposure to receivables or payables in currencies that are not their functional currency.

#### (iii) Price risk

The Group is not exposed to significant price risk.

### (B) CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk principally arises from customers, cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions and financial guarantees (refer to note 6.2 for details).

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

For customers, the maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each receivable. Risk control involves the assessment of the credit quality, taking into account financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

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

#### AASB 9 *Financial Instruments*

AASB 9 *Financial Instruments*, the AASB equivalent of IFRS 9 *Financial Instruments*, introduces a new model for classification and measurement of financial assets and liabilities, an expected credit loss (ECL) impairment model and reformed approach to hedge accounting. In accordance with the transitional provisions of AASB 9, comparative figures have not been restated. The Group had early adopted classification and measurement and hedging requirements, with 31 December 2009 as the date of initial application.

# Notes to the Consolidated Financial Statements

### 3.3 FINANCIAL RISK MANAGEMENT (CONTINUED)

In accordance with the ECL impairment model in AASB 9, the Group was required to revise its methodology and accounting policies for the impairment of trade receivables and contract assets identified in AASB 15 *Revenue from Contracts with Customers*. The updated accounting policy effective 1 January 2018 is set out below. The Group has assessed the financial impact of adopting the new impairment model on transition to be immaterial due to the historically low level of bad debt in the Group and taking into account appropriate forward-looking information. On this basis, the loss allowance for trade receivables as at 31 December 2018 as follows:

| | Current | Past due | | | | Total |
|---|---|---|---|---|---|---|
| | $'000 | Less than one month $'000 | One to three months $'000 | Three to six months $'000 | Over six months $'000 | $'000 |
| **2018** | | | | | | |
| Trade receivables | 39,989 | 9,222 | 2,248 | 578 | 165 | **52,202** |
| Expected Credit Loss % | 0.03% | 1.37% | 4.25% | 33.72% | 62.54% | |
| Provision for doubtful debts (reported) | (9) | (126) | (96) | (195) | (103) | **(529)** |

*Impairment of financial assets*

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

### (C) LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows.

The tables below analyse the Group's financial liabilities, including interest to maturity, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows. For interest rate swaps, the cash flows have been estimated using current interest rates applicable at the reporting date.

| 2017 | Less than one year $'000 | Between one and two years $'000 | Between two and five years $'000 | Over five years $'000 |
|---|---|---|---|---|
| Non-derivative financial liabilities | | | | |
| Payables[1] | 60,003 | – | – | – |
| Bank loans (including interest to maturity) | 4,778 | 135,986 | – | – |
| Total non-derivatives | 64,781 | 135,986 | – | – |
| Derivative financial liabilities | | | | |
| Net settled interest rate swaps | 564 | 423 | – | – |
| Total derivatives | 564 | 423 | – | – |
| Less: interest | (4,778) | (2,382) | – | – |
| **Total financial liabilities** | **60,567** | **134,027** | – | – |

# Notes to the Consolidated Financial Statements

## 3.3 FINANCIAL RISK MANAGEMENT (CONTINUED)

| 2018 | Less than one year $'000 | Between one and two years $'000 | Between two and five years $'000 | Over five years $'000 |
|---|---|---|---|---|
| Non-derivative financial liabilities | | | | |
| Payables[1] | 24,250 | – | – | – |
| Total non-derivatives | 24,250 | – | – | – |
| **Total financial liabilities** | **24,250** | – | – | – |

(1) The carrying amount of trade and other payables excludes $0.6 million (2017: $2.6 million) of non-current amounts as they do not meet the definition of a financial liability under Australian Accounting Standards.

Details of credit standby arrangements and loan facilities are included in note 3.1.

# Notes to the Consolidated Financial Statements

## 3.4 FAIR VALUE MEASUREMENTS

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

- financial assets at fair value through profit or loss;
- derivative financial instruments;
- available-for-sale financial assets; and
- land and buildings.

### (A) FAIR VALUE HIERARCHY

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
- level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### (i) Recognised fair value measurements

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2017 and 2018:

| 2017 | Note | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|---|
| *Recurring fair value measurements* | | | | | |
| **Financial assets** | | | | | |
| Financial assets at fair value through profit or loss | | | | | |
| Shares in other corporations | 5.3 | – | – | 33,279 | **33,279** |
| **Total financial assets** | | – | – | 33,279 | **33,279** |
| **Non-financial assets** | | | | | |
| Freehold land and buildings | | | | | |
| Freehold land | 2.2 | – | – | 1,083 | **1,083** |
| Buildings | 2.2 | – | – | 625 | **625** |
| **Total non-financial assets** | | – | – | 1,708 | **1,708** |
| *Recurring fair value measurements* | | | | | |
| **Financial liabilities** | | | | | |
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivative liabilities | | – | 778 | – | **778** |
| **Total financial liabilities** | | – | 778 | – | **778** |

# Notes to the Consolidated Financial Statements

## 3.4 FAIR VALUE MEASUREMENTS (CONTINUED)

| 2018 | Note | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|---|
| *Recurring fair value measurements* | | | | | |
| **Financial assets** | | | | | |
| Financial assets at fair value through profit or loss | | | | | |
| Shares in other corporations | 5.3 | – | – | 35,403 | **35,403** |
| **Total financial assets** | | – | – | 35,403 | **35,403** |
| **Non-financial assets** | | | | | |
| Freehold land and buildings | | | | | |
| Freehold land | 2.2 | – | – | 1,083 | **1,083** |
| Buildings | 2.2 | – | – | 588 | **588** |
| **Total non-financial assets** | | – | – | 1,671 | **1,671** |

The Group also has a number of assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short term nature. There are no outstanding non-current receivables as at 31 December 2018 (level 3).

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

The fair value of non-current borrowings disclosed in note 3.1 is estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial instruments. For the period ended 31 December 2018, the borrowing rates were determined to be between 2.3% and 3.7% per annum, depending on the type of borrowing. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant (level 2).

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for shares in other corporations disclosed in note 5.3, which are valued using discount rates, forecast cash flows, EBITDA multiples estimated by management based on comparable transactions and industry data.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

The Group obtains independent valuations at least every three years for its freehold land and buildings (classified as property, plant and equipment in note 2.2), less subsequent depreciation for buildings. This is considered sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. All resulting fair value estimates for properties are included in level 3.

During the year, a fair value gain of $1.9 million (2017: $2.8 million) was recorded in other income for shares in other corporations. There were no other material level 3 fair value movements during the year. Refer to note 5.3.

# Notes to the Consolidated Financial Statements

## 3.5 CONTRIBUTED EQUITY

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Issued and paid up share capital | **1,492,555** | 1,531,567 |

### (A) MOVEMENTS IN CONTRIBUTED EQUITY DURING THE FINANCIAL YEAR

| | 2018 Number of shares | 2017 Number of shares | 2018 $'000 | 2017 $'000 |
|---|---|---|---|---|
| Balance at beginning of the year | **308,912,092** | 307,494,273 | **1,531,567** | 1,528,022 |
| Dividend reinvestment plan[(i)] | **–** | 1,417,819 | **–** | 3,545 |
| Share buy-back[(ii)] | **(23,313,693)** | – | **(39,012)** | – |
| Balance at end of the year | **285,598,399** | 308,912,092 | **1,492,555** | 1,531,567 |

(i) The Company has a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. The Directors determined to suspend the DRP, effective 15 February 2018.

(ii) During December 2018, the Company purchased and cancelled 23 million shares on-market. The shares were acquired at an average price of $1.67 per share.

### (B) ORDINARY SHARES

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, representative or attorney is entitled to one vote, and upon a poll each share is entitled to one vote.

### ACCOUNTING POLICY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

# Notes to the Consolidated Financial Statements

### 3.6 SHARE-BASED PAYMENTS

| | 2018 Number of rights | 2017 Number of rights |
|---|---|---|
| As at 1 January | **1,049,753** | 903,419 |
| Granted | **936,245** | 205,493 |
| Exercised | **(1,111,599)** | (84,864) |
| Forfeited | **(7,813)** | (83,695) |
| Other changes | **580,328** | 109,400 |
| As at 31 December | **1,446,914** | 1,049,753 |

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

| | | Weighted | Rights | |
|---|---|---|---|---|
| Incentive plan | Vesting date | average fair value | 2018 | 2017 |
| 2015 LTI[1] | 31–Dec–17 | $3.57 | **–** | 319,945 |
| 2016 TIP[2] | 1–Jan–18 | $3.13 | **–** | 524,315 |
| 2017 TIP[3] | 1–Jan–19 | $2.27 | **327,400** | 205,493 |
| 2018 TIP[4, 5] | 1–Jan–20 | $1.84 | **1,119,514** | – |
| As at 31 December | | | **1,446,914** | 1,049,753 |

| | 2018 | 2017 |
|---|---|---|
| Weighted average remaining contractual life of rights outstanding at end of period | **0.8 years** | 0.2 years |

(1) The 2015 Long Term Incentive (LTI) scheme required the Company to deliver shares to the recipients on a pre-NZME demerger valuation basis, such that the recipients were not economically disadvantaged. Consequently, the Board elected to satisfy the LTI through issuing additional rights to HT&E shares totalling 95,087. The number of additional rights was calculated with reference to the HT&E and NZME share price on 1 January 2018, the vesting date for the 2015 LTI scheme. This is disclosed in other changes above.

(2) The 2016 Total Incentive Plan (TIP) required that participants receive an additional allocation of shares at vesting equal to the dividends paid on vested rights over the service period. 14,313 additional rights were issued to satisfy this requirement. This is disclosed in other changes above.

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

(4) The date on which the fair value of the 2018 TIP rights were calculated, is the deemed grant date of the rights for accounting purposes. An actual grant of rights will not be made to the CEO & Managing Director until after shareholder approval has been received at the Annual General Meeting, and for all other Executive KMP on a date to be determined after this annual report has been issued.

(5) The 2018 TIP requires that participants receive an additional allocation of shares at vesting equal to the dividends paid on vested rights over the performance and service period. 437,780 additional rights were issued to satisfy this requirement. This is disclosed in other changes above.

Share-based payments expense related to the above tables for the year was $1,281,000 (2017: $1,448,000).

Further information of the rights granted to Executive KMP is contained in the Remuneration Report found on pages 24 to 42 of the Group's Annual Report, including details regarding the cash settlement of the outstanding TIP for the Adshel CEO and ARN CEO.

The TIP, encompassing the 2017 and 2018 financial year, provides for the grant of rights which will convert to fully paid ordinary shares following the achievement of performance measures in 2017 and 2018 respectively, and satisfaction of a one-year service period.

# Notes to the Consolidated Financial Statements

## 3.6 SHARE-BASED PAYMENTS (CONTINUED)

### ACCOUNTING POLICY

Share-based compensation benefits are provided to employees via share-based payments or a LTI plan.

The fair value of rights granted under the LTI plan is recognised as an employee benefits expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the rights.

The fair value at grant date is independently determined using a number of methods including the Binomial option pricing model and the Monte-Carlo option pricing model which take into account the exercise price, the term of the right, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the right.

The fair value of the rights granted is adjusted to reflect the market vesting condition but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of rights that are expected to become exercisable. At each reporting date, the Group revises its estimate of the number of rights that are expected to become exercisable.

The employee benefits expense recognised each period takes into account the most recent estimate. The impact of the revision to the original estimates, is recognised in profit or loss with a corresponding adjustment to equity.

# Notes to the Consolidated Financial Statements

## 3.7 RESERVES AND ACCUMULATED LOSSES

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Reserves** | | |
| Asset revaluation reserve | **786** | 786 |
| Foreign currency translation reserve | **11** | (5,239) |
| Share-based payments reserve | **9,829** | 9,347 |
| Hedging reserve | **–** | (544) |
| Transactions with non-controlling interests reserve | **(53,283)** | (53,283) |
| Treasury shares reserve | **(1,152)** | (1,779) |
| Total reserves | **(43,809)** | (50,712) |
| **Asset revaluation reserve** | | |
| Balance at beginning of the year | **786** | 786 |
| Balance at end of the year | **786** | 786 |
| **Foreign currency translation reserve** | | |
| Balance at beginning of the year | **(5,239)** | 297 |
| Reclassification of foreign currency translation reserve to profit or loss on sale | **3,504** | – |
| Net exchange difference on translation of foreign operations | **1,746** | (5,536) |
| Balance at end of the year | **11** | (5,239) |
| **Share-based payments reserve** | | |
| Balance at beginning of the year | **9,347** | 7,399 |
| Share-based payments expense | **1,418** | 1,948 |
| Issue of shares to employees | **(824)** | – |
| Transfers within equity | **(112)** | – |
| Balance at end of the year | **9,829** | 9,347 |
| **Hedging reserve** | | |
| Balance at beginning of the year | **(544)** | (546) |
| Net gain on fair value hedges | **544** | 2 |
| Balance at end of the year | **–** | (544) |
| **Transactions with non-controlling interests reserve** | | |
| Balance at beginning of the year | **(53,283)** | (53,283) |
| Balance at end of the year | **(53,283)** | (53,283) |
| **Treasury shares reserve** | | |
| Balance at beginning of the year | **(1,779)** | – |
| Issue of treasury shares | **(197)** | (1,779) |
| Treasury shares vested to employees | **824** | – |
| Balance at end of the year | **(1,152)** | (1,779) |

# Notes to the Consolidated Financial Statements

## 3.7 RESERVES AND ACCUMULATED LOSSES (CONTINUED)

### NATURE AND PURPOSE OF RESERVES

### ASSET REVALUATION RESERVE

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

### FOREIGN CURRENCY TRANSLATION RESERVE

Exchange differences arising on translation of any foreign controlled entities are recognised in other comprehensive income and the foreign currency translation reserve as described in note 6.5.

### SHARE-BASED PAYMENTS RESERVE

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

### HEDGING RESERVE

The hedging reserve is used to record unrealised gains or losses on cash flow hedging instruments that are recognised in other comprehensive income described in note 6.5.

### TRANSACTIONS WITH NON-CONTROLLING INTERESTS RESERVE

The transactions with non-controlling interest reserve is used to record the differences described in note 5.2 which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

### TREASURY SHARES RESERVE

APN News and Media Employee Share Trust (Trust), a controlled entity, was established in 2017. The Trust purchased 107,465 additional shares in the Company during the period. The total shareholding in the Company as at 31 December 2018 was 505,291 shares at an average price of $2.28. This shareholding is disclosed as treasury shares and deducted from equity.

Performance rights relating to the vested portion of the 2015 LTI plan were issued from the Trust. Performance rights that relate to the 2016 TIP have vested and converted into shares, however they have not been issued and remain in the Trust.

Treasury shares for the 2017 and 2018 TIP are to be purchased after the date of this report.

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

### ACCUMULATED LOSSES

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Balance at beginning of the year | **(895,095)** | (756,085) |
| Profit/ (Loss) attributable to owners of the parent entity | **225,544** | (117,486) |
| Transfer from reserves | **112** | – |
| Dividends paid | **(244,039)** | (21,524) |
| **Balance at end of the year** | **(913,478)** | (895,095) |

# Notes to the Consolidated Financial Statements

## 3.8 DIVIDENDS

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Final dividend for the year ended 31 December 2017 of 4.0 cents per share fully franked (2016: 4.0 cents) | **12,357** | 12,300 |
| Paid in cash | **12,357** | 10,403 |
| Issued under dividend reinvestment plan | **–** | 1,897 |
| Interim dividend for the year ended 31 December 2018 of 3.0 cents per share fully franked (2017: 3.0 cents) | **9,267** | 9,224 |
| Paid in cash | **9,267** | 7,575 |
| Issued under dividend reinvestment plan | **–** | 1,649 |
| Special dividend for the year ended 31 December 2018 of 72.0 cents per share fully franked (2017: nil) | **222,415** | – |
| Paid in cash | **222,415** | – |
| **Total dividends** | **244,039** | 21,524 |
| Franking credits available for subsequent financial years at the 30% corporate tax rate after allowing for tax payable in respect of the current year's profit and tax refunds due | **11,393** | 88,087 |
| Dividends not recognised at year end | | |
| Since year end, the Directors have declared a fully franked final dividend of 4.0 cents per share. The aggregate amount of the dividend expected to be paid on 15 March 2019 out of retained profits at 31 December 2018, but not recognised as a liability at year end, is: | **11,424** | 12,357 |

## 3.9 COMMITMENTS

### LEASE COMMITMENTS

Commitments for minimum lease payments in relation to operating leases and rental commitments contracted for at the reporting date but not recognised as liabilities, payable:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Not later than one year | **14,269** | 43,922 |
| Later than one year but not later than five years | **30,339** | 66,360 |
| Later than five years | **4** | 20,865 |
| Total operating lease and rental commitments | **44,612** | 131,147 |
| Representing: | | |
| Cancellable operating leases and rental commitments | **31** | 51 |
| Non-cancellable operating leases and rental commitments | **44,581** | 131,096 |
| Total operating lease and rental commitments | **44,612** | 131,147 |
| | | |
| **Capital expenditure contracted for at balance date but not recognised as liabilities** | 688 | 13,142 |

# Notes to the Consolidated Financial Statements

## 3.9 COMMITMENTS (CONTINUED)

### ACCOUNTING POLICY

Finance leases are leases of property, plant and equipment where the Group, as lessee, has substantially all the risk and rewards of ownership. 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. A corresponding liability is also established and each lease payment is allocated between the liability and finance charges and included in other short-term and long-term payables. The interest element is charged to the income statement over the period of the lease. Leased assets are amortised on a straight line basis over the term of the lease, or where it is likely that the Group will obtain ownership of the asset, the life of the asset. Leased assets held at balance date are amortised over the shorter of the estimated useful life or the lease term.

Operating leases are other leases under which all the risks and benefits of ownership are effectively retained by the lessor. Operating lease payments, excluding contingent payments, are charged to the income statement on a straight line basis over the period of the lease.

### IMPACT OF NEW ACCOUNTING STANDARD NOT YET EFFECTIVE

The IAS has issued IFRS 16 *Leases*, a new standard for the accounting of leases, replacing IAS 17 *Leases*. The AASB has issued an equivalent standard, AASB 16 *Leases*. The standard introduces a single, on-balance sheet lease accounting model for lessees and removes the distinction between finance and operating leases. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

The Group is required to adopt AASB 16 from 1 January 2019. Earlier adoption is permitted, however, the Group does not intend to adopt the standard before its effective date. The Group plans to apply AASB 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group has progressed its assessment of the expected impact of the future adoption of AASB 16 on its consolidated financial statements. The Group has collated lease information and is finalising its assessment of the key assumptions and inputs to be applied for the adoption of the new standard. Based on the information currently available, the Group expect to recognise:

- new right-of-use assets and lease liabilities for its operating leases for ARN and HK Outdoor in the consolidated balance sheet as at 1 January 2019. The right-of-use asset consists of the initial lease liability, initial direct costs, estimate of restoration or dismantling costs and any lease payments made to the lessor before or at commencement date less any lease incentives received. The lease liability is measured at the present value of minimum lease payments for the lease term;
- increase in EBITDA as current rental and occupancy expense in the consolidated income statement is separated into depreciation for the right of use asset and interest expense on the lease liability. Variable rent payments are not predominately based on an index or rate and will continue to be recognised in the period the obligation is incurred as a rental expense and
- increase in operating cash flow as the lease repayments considered as financing rather than operating cash flows in the consolidated cash flow statement.

The Group has identified a small number of commitments covered by the short-term and low-value lease exception and will recognise the lease payments as expenses.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

# Notes to the Consolidated Financial Statements

## 4 TAXATION

### 4.1 INCOME TAX AND DEFERRED TAX

### (A) INCOME TAX

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Current tax expense | **33,607** | 19,782 |
| Deferred tax benefit/ (expense) | **(5,666)** | 3,029 |
| Adjustment for current tax of prior periods | **(162)** | (540) |
| **Income tax expense** | **27,779** | 22,271 |
| Income tax expense is attributable to: | | |
| Profit from continuing operations | **19,063** | 17,382 |
| Profit from discontinued operations | **8,716** | 4,889 |
| **Total income tax expense** | **27,779** | 22,271 |
| Income tax expense differs from the prima facie tax as follows: | | |
| Profit/(loss) before income tax expense | **258,808** | (88,660) |
| | | |
| Prima facie income tax at 30% | **77,642** | (26,598) |
| Difference in international tax treatments and rates | **339** | 135 |
| Utilisation of unrecognised capital losses and capital gain tax exemptions | **(54,187)** | – |
| Non-deductible impairment charge | **–** | 48,212 |
| Tax losses written off/not recognised | **19** | 410 |
| Adjustment for current tax of prior periods | **(162)** | (540) |
| Adshel sale transaction costs | **3,437** | – |
| Other | **691** | 652 |
| **Income tax expense** | **27,779** | 22,271 |

#### KEY JUDGEMENTS AND ESTIMATES

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

# Notes to the Consolidated Financial Statements

## 4.1 INCOME TAX AND DEFERRED TAX (CONTINUED)

### New Zealand branch matter

On 22 January 2018 and 1 May 2018, the Australian Taxation Office (ATO) issued amended income tax assessments in relation to the previously disclosed New Zealand branch matter (involving the licensing of New Zealand mastheads by a New Zealand branch of an Australian HT&E Group entity). The New Zealand branch was closed as part of the demerger of NZME on 29 June 2016.

The amended assessments are for the financial years ended 31 December 2009 to 31 December 2015 inclusive. HT&E has been advised the ATO intends to expand its position to the year ended 31 December 2016. It is intended that once that year's tax return is submitted, an objection will be lodged concurrently rather than waiting for an amended assessment.

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

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

The issue of amended assessments represents a formalisation of the ATO's position. The Company continues to consult with its advisers. The Company is satisfied that its treatment of this matter is consistent with relevant taxation legislation. The Company is also satisfied that penalties should not apply and disagrees with the rate of penalties imposed. HT&E has lodged objections with the ATO regarding the amended tax assessments and the penalties and interest assessments. The Company will if necessary, contest the matter through litigation proceedings.

While these dispute processes are being completed, the taxpayer is typically required to deposit with the ATO 50% of the tax in dispute. The deposit was paid in two instalments, with $35.7 million paid on 15 February 2018 and $15.0 million paid on 25 May 2018. This $50.7 million is disclosed as deposit of tax in dispute. The remaining disputed amounts of tax, penalties and interest are not required to be disclosed.

### Other matters

The ATO is also auditing other matters within the Group covering the financial years ended 31 December 2010 to 31 December 2013 inclusive. As at the date of this report, there is no certainty as to whether any proposed adjustments or disputes will be raised by the ATO as a result of this audit.

# Notes to the Consolidated Financial Statements

## 4.1 INCOME TAX AND DEFERRED TAX (CONTINUED)

### (B) DEFERRED TAX ASSETS AND LIABILITIES

| 2017 | Balance 1 Jan 17 $'000 | Recognised in profit or loss $'000 | Recognised in equity $'000 | Other movements $'000 | Balance 31 Dec 17 $'000 |
|---|---|---|---|---|---|
| Employee benefits | 2,289 | 110 | – | – | **2,399** |
| Doubtful debts | 237 | (2) | – | – | **235** |
| Accruals/restructuring | 11,888 | (2,318) | – | – | **9,570** |
| Intangible assets | (151,917) | 4,961 | 580 | – | **(146,376)** |
| Depreciation | (11,749) | 2,731 | 157 | – | **(8,861)** |
| Other | (5,113) | (2,453) | – | – | **(7,566)** |
| | (154,365) | 3,029 | 737 | – | **(150,599)** |

| 2018 | Balance 1 Jan 18 $'000 | Recognised in profit or loss $'000 | Recognised in equity $'000 | Other movements $'000* | Balance 31 Dec 18 $'000 |
|---|---|---|---|---|---|
| Employee benefits | 2,399 | 78 | – | (643) | **1,834** |
| Doubtful debts | 235 | (30) | – | (46) | **159** |
| Accruals/restructuring | 9,570 | (4,987) | 2 | (2,051) | **2,534** |
| Intangible assets | (146,376) | 1,756 | (153) | 34,087 | **(110,686)** |
| Depreciation | (8,861) | 1,183 | (23) | 7,775 | **74** |
| Other | (7,566) | (3,666) | – | (241) | **(11,473)** |
| | (150,599) | (5,666) | (174) | 38,881 | **(117,558)** |

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

# Notes to the Consolidated Financial Statements

## 4.1 INCOME TAX AND DEFERRED TAX (CONTINUED)

### ACCOUNTING POLICY

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

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

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

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

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

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

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

The Company and its wholly-owned Australian controlled entities are part of a tax-consolidated group under Australian taxation law. HT&E Limited is the head entity in the tax-consolidated group. Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, HT&E Limited and each of the entities in the tax-consolidated group have agreed to pay (or receive) a tax equivalent payment to (or from) the head entity, based on the current tax liability or current tax asset of the entity. Each entity in the tax-consolidated group measures its current and deferred taxes as if it continued to be a separate taxable entity in its own right.

Judgement is required in relation to the recognition of carried forward tax losses as deferred tax assets. The Group assesses whether there will be sufficient future taxable profits to utilise the losses based on a range of factors, including forecast earnings and whether the unused tax losses resulted from identified causes which are unlikely to recur.

# Notes to the Consolidated Financial Statements

## 5 GROUP STRUCTURE

### 5.1 CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following entities in accordance with the accounting policy described in note 6.5.

| Name of entity | Country of incorporation/ establishment | Equity holding 2018 % | Equity holding 2017 % |
|---|---|---|---|
| 5AD Broadcasting Company Pty Ltd[1] | Australia | **100** | 100 |
| Actraint No. 116 Pty. Limited[1] | Australia | **100** | 100 |
| Adshel New Zealand Limited[3] | New Zealand | **–** | 100 |
| Adshel Street Furniture Pty Limited[3] | Australia | **–** | 100 |
| Airplay Media Services Pty. Limited[1] | Australia | **100** | 100 |
| APN News & Media Employee Share Trust | Australia | **100** | 100 |
| ARN Adelaide Pty Ltd[1] | Australia | **100** | 100 |
| ARN Brisbane Pty Ltd[1,2] | Australia | **100** | 100 |
| ARN Broadcasting Pty Ltd[1] | Australia | **100** | 100 |
| ARN Communications Pty Ltd[1,2] | Australia | **100** | 100 |
| ARN Limited Partnership | Australia | **100** | 100 |
| ARN New Zealand Pty. Limited[1,2] | Australia | **100** | 100 |
| ARN Overseas Pty. Limited[1,2] | Australia | **100** | 100 |
| ARN Perth Pty Limited[1] | Australia | **100** | 100 |
| ARN South Australia Pty Limited[1] | Australia | **100** | 100 |
| ARN Superannuation Pty Ltd[1] | Australia | **100** | 100 |
| ARNSAT Pty Limited[1] | Australia | **100** | 100 |
| Asia Posters Sdn Bhd | Malaysia | **100** | 100 |
| Australian Outdoor Pty Limited[1,2] | Australia | **100** | 100 |
| Australian Radio Network Pty Limited[1,2] | Australia | **100** | 100 |
| Australian Radio Network Sales Pty Ltd[1] | Australia | **100** | 100 |
| Biffin Pty. Limited[1,2] | Australia | **100** | 100 |
| Black Mountain Broadcasters Pty. Limited | Australia | **50** | 50 |
| Blue Mountains Broadcasters Pty Limited[1] | Australia | **100** | 100 |
| Brisbane FM Radio Pty Ltd | Australia | **50** | 50 |
| Buspak Advertising (China) Limited | Hong Kong | **100** | 100 |
| Buspak Advertising (Hong Kong) Limited | Hong Kong | **100** | 100 |
| C.R. Phillips Investments Pty Ltd[1] | Australia | **100** | 100 |
| Capital City Broadcasters Pty. Limited[1] | Australia | **100** | 100 |
| Cardcorp (Manufacturing) Pty. Limited | Australia | **100** | 100 |
| Catalogue Central Pty Limited[1] | Australia | **100** | 100 |
| Central Coast Broadcasting Pty.[1] | Australia | **100** | 100 |
| Citysites Outdoor Advertising (Albert) Pty. Ltd.[1] | Australia | **100** | 100 |
| Citysites Outdoor Advertising (S. Aust.) Pty. Ltd.[1] | Australia | **100** | 100 |
| Citysites Outdoor Advertising (W Aust) Pty Ltd[1] | Australia | **100** | 100 |
| Citysites Outdoor Advertising Pty. Ltd.[1] | Australia | **100** | 100 |
| Cody Outdoor International (HK) Limited | Hong Kong | **100** | 100 |
| Commonwealth Broadcasting Corporation Pty Ltd[1,2] | Australia | **100** | 100 |
| Conversant Media Pty Ltd[1] | Australia | **100** | 100 |
| Covette Investments Pty Limited[1,2] | Australia | **100** | 100 |

## Notes to the Consolidated Financial Statements

| Name of entity | Country of incorporation/ establishment | Equity holding 2018 % | Equity holding 2017 % |
|---|---|---|---|
| Double T Radio Pty Ltd[1] | Australia | **100** | 100 |
| Emotive Pty Limited | Australia | **51** | 51 |
| Evitome Pty Limited[1] | Australia | **100** | 100 |
| Farm Fantastic Pty Limited | Australia | **50** | 50 |
| Gergdaam Capital Pty Limited[1,2] | Australia | **100** | 100 |
| Gulgong Pty. Limited[1,2] | Australia | **100** | 100 |
| Haswell Pty. Limited[1,2] | Australia | **100** | 100 |
| HT&E Braeside Pty Ltd | Australia | **100** | 100 |
| HT&E Broadcasting (Regionals) Pty. [1,2] | Australia | **100** | 100 |
| HT&E Broadcasting Investments Pty Ltd[1] | Australia | **100** | 100 |
| HT&E Business Magazines Pty Ltd[1] | Australia | **100** | 100 |
| HT&E Digital Pty Ltd [1] | Australia | **100** | 100 |
| HT&E Finance Pty Limited[1,2] | Australia | **100** | 100 |
| HT&E International Pty Ltd[1,2] | Australia | **100** | 100 |
| HT&E Milperra Pty Ltd | Australia | **100** | 100 |
| HT&E Online (Australia) Pty Ltd[1] | Australia | **100** | 100 |
| HT&E Operations Ltd[1,2] | Australia | **100** | 100 |
| iNC Network Australia Pty Ltd[1] | Australia | **100** | 100 |
| KAFM Broadcasters Proprietary Limited[1] | Australia | **100** | 100 |
| Level 3 Investments Pty Limited[1] | Australia | **100** | 100 |
| Level 4 Investments Pty Limited[1] | Australia | **100** | 100 |
| Lunchbox Investments Pty Ltd | Australia | **100** | 100 |
| Media Tek Pty. Limited[1,2] | Australia | **100** | 100 |
| Melbourne F.M. Facilities Pty. Limited | Australia | **50** | 50 |
| Nathco Holdings Pty. Ltd.[1,2] | Australia | **100** | 100 |
| Perth Sign Company Pty Ltd[1] | Australia | **100** | 100 |
| Phillips Finance Pty Ltd[1] | Australia | **100** | 100 |
| Phillips Neon Pty Ltd[1] | Australia | **100** | 100 |
| Provincial Investments Pty. Ltd.[1] | Australia | **100** | 100 |
| Radio 96FM Perth Pty Limited[1] | Australia | **100** | 100 |
| RadioWise Pty Ltd[1] | Australia | **100** | 100 |
| Regmax Pty Limited[1] | Australia | **100** | 100 |
| Shelter Advertising Pty Ltd[1] | Australia | **100** | 100 |
| Southern State Broadcasters Pty. Limited[1] | Australia | **100** | 100 |
| Speedlink Services Pty Ltd[1] | Australia | **100** | 100 |
| Street Furniture (NSW) Pty Ltd[1] | Australia | **100** | 100 |
| SunCoastal F.M. Radio Pty. Ltd.[1] | Australia | **100** | 100 |
| Sydney FM Facilities Pty Ltd | Australia | **50** | 50 |
| The Internet Amusements Group Pty Limited[1] | Australia | **100** | 100 |
| The Level 3 Partnership | Australia | **100** | 100 |
| The Roar Sports Media Pty Ltd[1] | Australia | **100** | 100 |
| Tibbar Broadcasting Pty Limited[1] | Australia | **100** | 100 |
| Universal Radio Pty. Ltd.[1] | Australia | **100** | 100 |
| Urban Design Furniture Pty. Ltd.[1] | Australia | **100** | 100 |

# Notes to the Consolidated Financial Statements

| Name of entity | Country of incorporation/ establishment | Equity holding 2018 % | Equity holding 2017 % |
|---|---|---|---|
| Wesgo[1,2] | Australia | **100** | 100 |
| West Sydney Radio Pty Ltd[1] | Australia | **100** | 100 |
| Westat Research Pty Ltd[1] | Australia | **100** | 100 |
| Wilson & Horton Australia Pty Ltd[1] | Australia | **100** | 100 |
| Wilson & Horton Finance Pty Ltd[1,2] | Australia | **100** | 100 |

(1) These companies are parties to a deed of cross guarantee dated 28 April 2017 under which each company guarantees the debts of the others (Deed of Cross Guarantee). These companies represent a Closed Group for the purposes of *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785* and there are no other members of the Extended Closed Group.

(2) These wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.*

(3) These companies were sold to oOh!media Limited on 28 September 2018.

# Notes to the Consolidated Financial Statements

## 5.2 INTERESTS IN OTHER ENTITIES

### (A) MATERIAL SUBSIDIARIES WITH NON-CONTROLLING INTERESTS

Set out below are the Group's principal subsidiaries with material non-controlling interests. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group, and the proportion of ownership interests held equals to the voting rights held by the Group.

| Name of entity | Place of business | Country of incorporation | Ownership interest held by the Group 2018 | Ownership interest held by the Group 2017 | Ownership interest held by non-controlling interests 2018 | Ownership interest held by non-controlling interests 2017 | Principal activities |
|---|---|---|---|---|---|---|---|
| Brisbane FM Radio Pty Ltd | Australia | Australia | 50% | 50% | 50% | 50% | Commercial radio |

### (B) NON-CONTROLLING INTERESTS

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

| | Brisbane FM Radio Pty Ltd 2018 $'000 | Brisbane FM Radio Pty Ltd 2017 $'000 |
|---|---|---|
| **Summarised balance sheet** | | |
| Current assets | **2,757** | 6,166 |
| Current liabilities | **1,102** | 4,545 |
| Current net assets | **1,655** | 1,621 |
| Non-current assets | **67,585** | 67,636 |
| Non-current liabilities | **29** | 23 |
| Non-current net assets | **67,556** | 67,613 |
| Net assets | **69,211** | 69,234 |
| Accumulated non-controlling interests | **36,136** | 36,218 |
| **Summarised statement of comprehensive income** | | |
| Revenue | **28,617** | 31,549 |
| Profit for the period | **10,377** | 12,554 |
| Other comprehensive income | **–** | – |
| Total comprehensive income | **10,377** | 12,554 |
| Total comprehensive income allocated to non-controlling interests | **5,188** | 6,277 |
| Dividends paid to non-controlling interests | **5,200** | 6,200 |
| **Summarised statement cash flows** | | |
| Net inflows from operating activities | **10,329** | 11,846 |
| Net (outflows)/inflows from investing activities | **(11)** | 18 |
| Net outflows from financing activities | **(10,120)** | (11,592) |
| Net increase in cash and cash equivalents | **198** | 272 |

# Notes to the Consolidated Financial Statements

## 5.2 INTERESTS IN OTHER ENTITIES (CONTINUED)

### ACCOUNTING POLICY

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, balance sheet and statement of changes in equity respectively.

The effects of all transactions with non-controlling interests are recorded in equity if there is no change in control. Where there is a loss of control, any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in the income statement. Any losses are allocated to the non-controlling interests in subsidiaries even if the accumulated losses should exceed the non-controlling interests in the individual subsidiary's equity.

## 5.3 SHARES IN OTHER CORPORATIONS

| | Note | 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| Shares in other corporations | 3.4 | **35,403** | 33,279 |

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurement of shares in other corporations, which is mainly comprised of the Group's investment in Nova 93.7, an FM radio station in Perth, Western Australia:

| Description | Fair value as at 31 Dec 18 $'000 | Valuation technique | Unobservable inputs | Range of inputs (probability-weighted average) | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|
| Shares in other corporations | 35,403 | Discounted cash flows | Cash flow growth factor | Between -3.6% and +1.6% (+2.0%) | Increased terminal cash growth factor by 50 basis points and lowering discount rate by 100 basis points would increase the fair value by $4.6 million. Lowering terminal cash growth factor by 50 basis points and increasing discount rate by 100 basis points would decrease the fair value by $3.6 million. |
| | | | Risk-adjusted discount rate | 14.0% | |

# Notes to the Consolidated Financial Statements

## ACCOUNTING POLICY

### Classification and initial measurement of financial assets

Financial assets are initially measured at fair value, plus transaction costs. This excludes those financial assets classified as at fair value through profit or loss which are initially measured at fair value. Subsequent measurement of financial assets is at fair value or amortised cost where certain criteria are met.

### Financial assets at amortised cost and impairment

The Group's loans and receivables (refer to note 2.3) meet the requirements for measurement at amortised cost based on the purpose for which the assets and liabilities are held and the contractual terms.

For financial assets measured at amortised cost, the Group assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

### Financial assets at fair value

The Group's investments in equity instruments are measured at fair value, determined in the manner described in note 3.4. At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to recognise gains and losses on equity instruments not held for trading, in other comprehensive income. Otherwise, all gains and losses are recognised in profit or loss.

## 5.4 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | Note | 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| Shares in associate and joint ventures | | **18,829** | 18,696 |
| Total investments accounted for using the equity method | | **18,829** | 18,696 |
| Share of profits of associate and joint ventures | 1.3 | **468** | 1,252 |

Set out below are the associates and joint ventures of the Group as at 31 December 2018. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

| Name of entity | Place of business/ country of incorporation | Ownership interest 2018 | Ownership interest 2017 | Nature of relationship | Measurement method | Consolidated carrying values 2018 $'000 | Consolidated carrying values 2017 $'000 |
|---|---|---|---|---|---|---|---|
| Soprano Design Pty Limited | Australia | **25%** | 25% | Associate[1] | Equity method | **14,051** | 13,784 |
| HT&E Events Pty Limited | Australia | **50%** | 50% | Joint venture[2] | Equity method | **884** | 1,121 |
| Unbnd Group Pty Ltd | Australia | **50%** | 50% | Joint venture[3] | Equity method | **3,894** | 3,791 |

(1) Soprano Design Pty Limited specialises in the development and provision of world leading mobile messaging and wireless application infrastructure. The interest in this business was acquired in 2001.
(2) HT&E Events Pty Limited specialises in Australian esports and was established in August 2017. In partnership with Gfinity PLC, HT&E Events Pty Limited also launched Gfinity Esports Australia in August 2017.
(3) Unbnd Group Pty Ltd is a digital and communications business specialising in emerging media technologies, including Virtual and Augmented Reality. The interest was acquired in September 2017 and the carrying value includes $1.5 million provision for earn-out payments which are subject to specific performance objectives.

# Notes to the Consolidated Financial Statements

## 5.4 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

### ACCOUNTING POLICY

**Associates**

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income of the associate, is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received from associates are recognised in the consolidated financial statements as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

**Joint arrangements**

Under AASB 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

**(i) *Joint operations***

The Group recognises its direct right to, and its share of, jointly held assets, liabilities, revenues and expenses of joint operations.

**(ii) *Joint ventures***

The interest in a joint venture is accounted for using the equity method after initially being recognised at cost. Under the equity method, the Group's share of the profits or losses of the joint venture is recognised in the income statement, and the share of post-acquisition other comprehensive income is recognised in other comprehensive income.

When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

# Notes to the Consolidated Financial Statements

## 5.5 PARENT ENTITY FINANCIAL INFORMATION

### (A) SUMMARY OF FINANCIAL INFORMATION FOR THE PARENT ENTITY

The individual financial statements for the parent entity show the following aggregate amounts:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Balance sheet | | |
| Current assets | **360** | 85 |
| Total assets | **1,568,344** | 1,453,659 |
| Current liabilities | **11,649** | 18,711 |
| Total liabilities | **728,205** | 573,063 |
| Shareholders' equity | | |
| Issued capital | **1,492,555** | 1,531,567 |
| Reserves | | |
| Share-based payments reserve | **9,831** | 9,347 |
| Retained earnings | | |
| Opening profit reserve | **60,181** | 81,727 |
| Dividends paid | **(244,039)** | (21,546) |
| Profit for the year | **242,110** | – |
| Closing profit reserve | **58,252** | 60,181 |
| Brought forward loss reserve | **(720,499)** | (612,200) |
| Loss for the year | **–** | (108,299) |
| Closing loss reserve | **(720,499)** | (720,499) |
| Total equity | **840,139** | 880,596 |
| Profit/(Loss) for the year | **242,110** | (108,299) |
| Total comprehensive income | **242,110** | (108,299) |

### (B) GUARANTEES ENTERED INTO BY THE PARENT ENTITY

Refer to note 6.2 for details.

### (C) CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS OF THE PARENT ENTITY

The parent entity did not have any other contingent liabilities or any contractual commitments as at 31 December 2018 or 31 December 2017.

### ACCOUNTING POLICY

The financial information for the parent entity, HT&E Limited, has been prepared on the same basis as the consolidated financial statements, except for:

**Investments in subsidiaries**

Investments in subsidiaries are accounted for at cost less impairment losses in the financial statements of the parent entity.

Dividends received from subsidiaries are recognised in the parent entity's income statement when its right to receive the dividend is established.

# Notes to the Consolidated Financial Statements

### 5.6 DEED OF CROSS GUARANTEE

Companies in the Closed Group are party to a deed of cross guarantee dated 28 April 2017 under which each guarantees the debts of the others. These companies represent a Closed Group for the purposes of *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*. The companies party to Deed of Cross Guarantee are detailed at note 5.1.

Set out below is the consolidated income statement and summary of movements in consolidated retained earnings for the year ended 31 December 2018 for the Closed Group:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Revenue from continuing operations | **197,151** | 182,232 |
| Other revenue and income | **36,838** | 77,759 |
| Expenses from operations before finance costs, depreciation and amortisation | **(153,624)** | (150,385) |
| Impairment of Group company investments | **(81,185)** | – |
| Finance costs | **(16,070)** | (18,060) |
| Depreciation and amortisation | **(4,153)** | (5,217) |
| Share of profits of associates | **468** | 1,252 |
| **Profit/(loss) before income tax** | **(20,575)** | 87,581 |
| Income tax expense | **(17,025)** | (26,324) |
| **Profit/(loss) from continuing operations** | **(37,600)** | 61,257 |
| Gain from discontinued operations | **192,765** | (152,618) |
| **Profit/(loss) attributable to owners of the parent entity** | **155,165** | (91,361) |
| | | |
| **Retained earnings/(accumulated losses)** | | |
| Balance at beginning of the year | **(949,306)** | (836,421) |
| Profit/(loss) attributable to owners of the parent entity | **155,165** | (91,361) |
| Dividends paid | **(244,039)** | (21,524) |
| Transfers between reserves | **111** | – |
| **Balance at end of the year** | **(1,038,069)** | (949,306) |

# Notes to the Consolidated Financial Statements

## 5.6 DEED OF CROSS GUARANTEE (CONTINUED)

Set out below is the consolidated balance sheet as at 31 December 2018 for the Closed Group:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | **122,489** | 12,267 |
| Receivables | **133,654** | 203,249 |
| Inventories | **–** | 1,816 |
| Other current assets | **1,521** | 6,966 |
| Total current assets | **257,664** | 224,298 |
| **Non-current assets** | | |
| Receivables | **6,993** | 1,243 |
| Other financial assets | **235,738** | 442,526 |
| Investments accounted for using the equity method | **18,829** | 18,696 |
| Property, plant and equipment | **16,066** | 59,396 |
| Intangible assets | **348,630** | 542,205 |
| Deposit on tax dispute | **50,670** | – |
| Other non-current assets | **2,058** | – |
| Total non-current assets | **678,984** | 1,064,066 |
| **Total assets** | **936,648** | 1,288,364 |
| **Current liabilities** | | |
| Payables | **160,061** | 211,152 |
| Current tax liabilities | **11,342** | 18,446 |
| Provisions | **6,458** | 13,348 |
| Total current liabilities | **177,861** | 242,946 |
| **Non-current liabilities** | | |
| Payables | **–** | 1,981 |
| Interest bearing liabilities | **–** | 128,473 |
| Derivative liabilities | **–** | 778 |
| Provisions | **4,179** | 19,423 |
| Deferred tax liabilities | **117,758** | 131,790 |
| Total non-current liabilities | **121,937** | 282,445 |
| **Total liabilities** | **299,798** | 525,391 |
| **Net assets** | **636,850** | 762,973 |
| **Equity** | | |
| Contributed equity | **1,492,555** | 1,531,567 |
| Reserves | **182,364** | 180,712 |
| Accumulated losses | **(1,038,069)** | (949,306) |
| Total parent entity interest | **636,850** | 762,973 |
| **Total equity** | **636,850** | 762,973 |

# Notes to the Consolidated Financial Statements

## 6 OTHER

### 6.1 DISCONTINUED OPERATIONS

#### SALE OF ADSHEL

On 25 June 2018, the Group announced it had executed documentation to sell Adshel to oOh!media, subject to regulatory clearance. The associated assets and liabilities were consequently presented as held for sale in the 2018 Interim Financial Statements.

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

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

#### (a) Financial performance and cash flow information

| | 28 September 2018 $'000 | 31 December 2017 $'000 |
|---|---|---|
| Revenue and other income | **153,342** | 228,150 |
| Expenses before depreciation and amortisation | **(119,755)** | (176,567) |
| Depreciation and amortisation | **(14,163)** | (32,729) |
| **Profit before income tax** | **19,424** | 18,854 |
| Income tax expense | **(5,585)** | (5,679) |
| **Profit from operations** | **13,839** | 13,175 |
| Gain on sale of business | **164,845** | – |
| Impairment of intangible assets[a] | **–** | (163,340) |
| Onerous contract costs[b] | **(3,670)** | – |
| Write back of provision[c] | **16,125** | – |
| Income tax (expense)/credit | **(3,130)** | 790 |
| **Profit/(loss) after income tax from discontinued operations** | **188,009** | (149,375) |

Explanation of items related to discontinued operations
(a) Impairment of Adshel Australia goodwill of $160.7 million and licence and relationships $2.6 million.
(b) Onerous contract costs relate to one Adshel contract provided for based on expected contract performance.
(c) Release of provision that was not going to be utilised.

| | 28 September 2018 $'000 | 31 December 2017 $'000 |
|---|---|---|
| Net cash inflows from operating activities | **18,639** | 44,802 |
| Net cash inflows/ (outflows) from investing activities | **549,076** | (12,587) |
| Net cash outflows from financing activities | **–** | – |
| **Net increase in cash generated by the division** | **567,715** | 32,215 |

# Notes to the Consolidated Financial Statements

## 6.1 DISCONTINUED OPERATIONS (CONTINUED)

### (b) Details of sale

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

[1] Refer to note 4.1(a) for more information on the tax expense.

### (c) Assets and liabilities at date of sale

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

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

# Notes to the Consolidated Financial Statements

## 6.1 DISCONTINUED OPERATIONS (CONTINUED)

### ACCOUNTING POLICY

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount, and their fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

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

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the consolidated income statement.

# Notes to the Consolidated Financial Statements

## 6.2 CONTINGENT LIABILITIES

The parent entity and all wholly-owned controlled entities have provided guarantees in respect of banking facilities. As at 31 December 2018, the facilities had been drawn to the extent of $3.0 million (2017: $139.3 million), of which the entire balance (2017: $5.7 million) pertains to bank guarantees. None of the $3.0 million bank guarantees relates to Adshel (2017: $3.2 million).

Certain wholly-owned subsidiaries of the Company have provided financial guarantees of $nil (2017: $19.6 million) in respect of performance commitments for site rental contracts and property leases.

The Group did not have any other contingent liabilities and contractual commitments as at 31 December 2018 or 31 December 2017.

### CLAIMS

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

## 6.3 REMUNERATION OF AUDITORS

During the year, the following fees were paid or payable for services provided by the auditor of the Group, its related practices, non-related audit firms and other professional advisory and consulting firms:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Remuneration for audit or review of the financial reports | | |
| PricewaterhouseCoopers – Australian firm | **991** | 924 |
| PricewaterhouseCoopers – overseas firm | **78** | 87 |
| Remuneration for other assurance services | | |
| PricewaterhouseCoopers – Australian firm | **129** | 88 |
| PricewaterhouseCoopers – overseas firm | **7** | 8 |
| **Total audit and other assurance services** | **1,205** | 1,107 |
| Remuneration for other services | | |
| PricewaterhouseCoopers – Australian firm | | |
| Tax services | | |
| Consulting and advice | **568** | 355 |
| Compliance | **143** | 145 |
| Other advisory services | **47** | 46 |
| PricewaterhouseCoopers – overseas firm | | |
| Tax services | | |
| Consulting and advice | **–** | 3 |
| Compliance | **24** | 23 |
| **Total non-audit services** | **782** | 572 |

# Notes to the Consolidated Financial Statements

## 6.4 RELATED PARTIES

### (A) KEY MANAGEMENT PERSONNEL COMPENSATION

| | 2018 $ | 2017 $ |
|---|---|---|
| Short-term employee benefits | **6,031,545** | 4,567,383 |
| Post-employment benefits | **203,311** | 227,213 |
| Other long-term benefits | **22,902** | 82,692 |
| Share-based payments | **1,751,702** | 1,206,121 |
| | **8,009,460** | 6,083,409 |

Detailed remuneration disclosures are provided in the Remuneration Report.

### (B) TRANSACTIONS WITH OTHER RELATED PARTIES

There was $nil transactions with other related parties in the twelve months ending 31 December 2018 (2017 $nil).

### (C) PAYABLES WITH OTHER RELATED PARTIES

There was $nil payable to related parties as at 31 December 2018 (2017: $nil).

### (D) LOANS TO RELATED PARTIES

There was $7 million in loans to related parties as at 31 December 2018 (2017: $0.7 million), being loans to HT&E Events Pty Limited and UnBnd Group Pty Ltd.

### (E) COMMITMENTS WITH OTHER RELATED PARTIES

During 2017, HT&E entered into an arrangement with MediaCap Fund No. 1 Trust (Trust) to potentially provide advertising inventory to the Trust in return for equity investment in as-yet-to-be identified start-up, high growth organisations. The Trust and MediaCap Pty Limited (Trustee) were deemed to be related parties of HT&E under the *Corporations Act 2001* as Peter Cosgrove was Chairman of the Board of HT&E as well as on the Investment Committee of the Trust, and was a shareholder of the Trustee.

During the year, Mr Cosgrove sold his shares in the Trustee and retired as a Director of HT&E.  MediaCap ceased to be a related party of HT&E on 11 May 2018.

# Notes to the Consolidated Financial Statements

## 6.5 OTHER SIGNIFICANT ACCOUNTING POLICIES

### PRINCIPLES OF CONSOLIDATION – SUBSIDIARIES

The consolidated financial statements incorporate the assets and liabilities of HT&E Limited and its subsidiaries. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-entity transactions, balances and unrealised gains on transactions between Group entities are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, balance sheet and statement of changes in equity respectively.

### FOREIGN CURRENCY TRANSLATION

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars, which is HT&E Limited's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

#### (iii) Group entities

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the balance sheet;
- income and expenses are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or a partial disposal occurs, a proportionate share of such exchange differences is recognised in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### TRADE PAYABLES

Trade payables, including accruals not yet billed, are recognised when the Group becomes obliged to make future payments as a result of a purchase of assets or services. Trade payables are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received. Trade payables are unsecured and are generally settled within 30 to 45 days.

### DIVIDENDS

A payable is raised for the amount of any dividend declared, determined or publicly recommended by the Directors before or at the end of the financial year but not distributed at balance date.

# Notes to the Consolidated Financial Statements

## 6.5 OTHER SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### SHORT-TERM INCENTIVE PLANS

A liability for short-term incentives is recognised in provisions when there is an expectation of settlement and at least one of the following conditions is met:

- there are contracted terms in the relevant plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for short-term incentives are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

### INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The cost of individual items of inventory are determined using the first in first out method.

### DERIVATIVES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Fair value is determined with reference to quoted market prices. The method of recognising the resulting gain or loss depends on whether the derivative is designated and effective as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

### FAIR VALUE HEDGES

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

### CASH FLOW HEDGES

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised in the income statement in other gains/(losses).

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance costs. The gain or loss relating to the effective portion of forward foreign exchange contracts is recognised in the income statement within other income.

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 the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

# Notes to the Consolidated Financial Statements

## 6.5 OTHER SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### DERIVATIVES THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised in the income statement.

### NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has adopted AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments (expected credit loss model)* from 1 January 2018. Refer to note 1.1 and 3.3 respectively. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group financial statements.

### STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2018 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below.

The IASB has issued IFRS 16 *Leases*, a new standard for the accounting of leases, replacing IAS 17 *Leases*. Refer to note 3.9 for more detail.

## 6.6 SUBSEQUENT EVENTS

Since the end of the financial year, the Directors have declared the payment of a fully franked final dividend of 4.0 cents, to be paid 15 March 2019 (refer to note 3.8).

Other than the matters described above, the Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

# Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 44 to 103 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial year ended on that date; and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 5.1 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 5.6.

Page 44 of the Annual Report confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors, after receiving the declarations required to be made by the Chief Executive and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001*.

**Hamish McLennan**
Chairman

Sydney
13 February 2019

# Independent Auditor's Report

To the members of HT&E Limited

## REPORT ON THE AUDIT OF THE FINANCIAL REPORT

### OUR OPINION

In our opinion:

The accompanying financial report of HT&E Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 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 balance sheet as at 31 December 2018
- the consolidated income statement for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of changes in equity 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.

### OUR AUDIT APPROACH

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

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## Independent Auditor's Report

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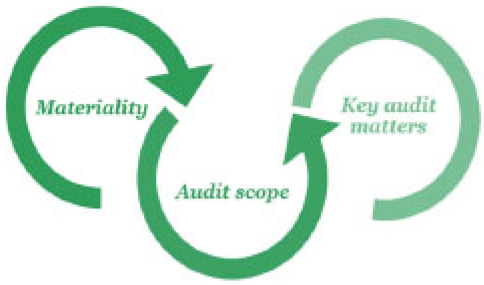
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.




### Materiality

- For the purpose of our audit we used overall Group materiality of $2,940,000, which represents approximately 5% of the Group's profit before tax from continuing operations excluding one-off/infrequently occurring transactions.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax from continuing operations because in our view, it is an important financial statement metric used in assessing the performance of the Group. We adjusted this benchmark for one-off/infrequently occurring transactions to reflect the normal underlying performance of the Group.
- We selected 5% based on our professional judgement, noting that it is also within the range of commonly accepted profit related thresholds for listed companies.

### Audit Scope

- The Group audit is aligned with the divisional structure of the Group.
- The nature, timing and extent of audit work required on each component of the Group was determined by the component's risk characteristics and financial significance to the Group and consideration whether sufficient evidence had been obtained for our opinion on the financial report as a whole. The audit work involved:
  - an audit of the Australian Radio Network financial information
  - specific risk-focused audit procedures of Adshel's financial information up to the date of disposal (28 September 2018)
  - analytical procedures performed at the Group level
  - testing of key controls operated at Group Financial Services (the Group's shared service centre in New Zealand)
  - further audit procedures at a Group level, including over the consolidation of the Group's reporting units and the preparation of the financial report.

## Independent Auditor's Report

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- For the work performed by other PwC network firms operating under our instructions, we determined the level of involvement we needed to have in the audit work at those locations to be satisfied that sufficient audit evidence had been obtained. We communicated regularly with these component audit teams during the year through face-to-face meetings, phone calls, and written instructions where appropriate. We also met with local management of each financially significant operation and the Group Financial Services shared service centre.

### 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 |
|---|---|
| Taxation of New Zealand branch royalty income<br>(Refer to note 4.1)<br><br>The Australian Tax Office (ATO) is auditing the licensing of New Zealand mastheads by a New Zealand branch of one of the Group's Australian entities. The ATO has challenged the Group's treatment of the royalty income received by the New Zealand branch in respect of the mastheads as being non-assessable, non-exempt income for Australian tax purposes.<br><br>During the year, the ATO issued amended assessments with tax adjustments and determined its position on the application of penalties and interest. In summary, the ATO's current position in relation to this matter involves \$102.5m of tax adjustments plus \$49.0m of penalties plus \$27.5m of interest. In that regard a deposit of \$50.7m was paid to the ATO during the year. The Group is satisfied that its treatment is consistent with relevant tax legislation and therefore no tax provision is recognised.<br><br>The Group has lodged objections with the ATO regarding the amended tax assessments and regarding the assessments of penalties and interest. The Group will if necessary contest the matter through litigation proceedings. | Our audit procedures included:<br>• examining correspondence between the Group and the ATO<br>• examining correspondence between the Group and its external advisors and considering their independence and technical competence<br>• together with PwC tax experts, considering the conclusions reached by the Group's external advisors. This included interviewing the advisors and comparing their conclusions to supporting evidence<br>• agreeing the Group's potential tax exposure for the 31 December 2009 to 31 December 2015 tax years to the amounts in the amended assessments issued by the ATO for the respective tax years<br>• recomputing the Group's potential tax exposure for the 31 December 2016 tax year to the Agreement for Licence of Trademarks between Wilson & Horton Finance Pty Limited – New Zealand Branch and APN New Zealand Limited<br>• assessing the adequacy of the Group's disclosure of the matter in the financial statements in light of the requirements of Australian Accounting Standards. |

## Independent Auditor's Report

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| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| We considered this a key audit matter because of the significant judgement required by the Group in estimating the future outcome of the ATO's assessment and the associated legal processes, and in determining appropriate disclosure of the matter in the financial report. | |
| Sale of Adshel businesses<br>(Refer to note 6.1)<br><br>On 25 June 2018 the Group announced it had executed documentation to sell Adshel to oOh!media Limited, subject to regulatory clearance, for \$570.0m. The transaction was completed on 28 September 2018, resulting in a gain on sale of \$164.8m. Adshel's results have been included in the financial report as a discontinued operation.<br><br>We determined this to be a key audit matter due to the financial impact of the gain on disposal to the total profit of the Group. | Our audit procedures included:<br>• reading the key terms of the purchase and sale agreements with oOh!media Limited, to assess whether the sale transaction was recorded and disclosed in accordance with the terms of this agreement<br>• agreeing the consideration received from the sale, as recorded by the Group, to the respective contracts and bank records<br>• reconciling adjustments to the calculation of the gain on disposal (e.g. transaction costs) to supporting documentation and assessing whether the adjustments were applied in line with the requirements of Australian Accounting Standards<br>• reperforming the calculation of the gain on disposal by comparing the consideration received to the carrying value of the identified assets and liabilities disposed<br>• inspecting the tax calculations and holding discussions with management to assess whether the Group had considered and accounted for any tax implications related to the disposal<br>• assessing the presentation and disclosure of the Adshel businesses as a discontinued operation in line with the requirements of the relevant Australian Accounting Standards. |
| Impairment of intangible assets<br>(Refer to note 2.1)<br><br>At 31 December 2018 the Group had \$55.1m of goodwill and \$367.5m of non-amortising intangible assets, which is significantly greater than materiality. The largest part of these assets is related to the Australian Radio Network (ARN) cash generating unit (CGU). During the year the | We performed the following procedures amongst others:<br>• evaluated key factors used in the Group's approach to assess impairment including the methodology applied, the Group's identification of CGUs and the integration of Conversant Media into the ARN CGU.<br>• agreed forecast cash flows used in the impairment assessment to Board approved budgets |

## Independent Auditor's Report

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| Conversant Media CGU was integrated into the ARN CGU, following a change in the corporate structure.<br><br>At 31 December 2018, the Group performed an impairment assessment over the ARN CGU by:<br>• calculating the 'Value in Use' for the CGU, using a discounted cash flow model (the model)<br>• comparing the resulting 'Value in Use' to the CGU's carrying value to determine the need for any impairment.<br><br>We considered this a key audit matter, because:<br>• the intangible assets is the largest non-current asset in the balance sheet<br>• significant judgement is required by the Group in performing the impairment assessment, particularly in estimating:<br>o forecasted future results of the business<br>o terminal growth rates<br>o revenue forecasts<br>o discount rates applied to future cash flow forecasts in determining whether there are any impairment charges. | • evaluated the Group's historical ability to forecast future cash flows by comparing budgeted amounts to reported actual results for the past year<br>• tested whether the discount rate reflected the risks of the CGU by comparing the discount rate to other comparable companies<br>• compared the growth rates used in the CGU's cash flow forecasts to independent industry forecasts and historical growth rates<br>• tested the mathematical accuracy of the impairment assessment<br>• evaluated the adequacy of the disclosures made in note 2.1, including those regarding the key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards. |

### OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

### RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL REPORT

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the

## Independent Auditor's Report

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 24 to 42 of the directors' report for the year ended 31 December 2018.

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

PricewaterhouseCoopers

MGraham

MK Graham
Partner

Sydney
13 February 2019

# Shareholder Information

## 1. SHARES

### (A) SUBSTANTIAL SHAREHOLDERS

The following information is extracted from substantial shareholder notices received by the Company as at 11 February 2019:

| Name | Number of shares |
|---|---|
| Allan Gray Australia Pty Ltd | 60,488,597 |
| News Pty Limited | 41,823,884 |
| Perpetual Limited | 28,372,245 |
| Commonwealth Bank of Australia | 17,618,271 |
| IOOF Holdings Limited | 15,020,199 |
| Spheria Asset Management Pty Limited | 14,854,899 |
| Norges Bank | 14,341,090 |

### (B) TOP 20 HOLDERS OF FULLY PAID ORDINARY SHARES

The following information is extracted from the share register as at 11 February 2019:

| Name | Number of shares | % of total shares |
|---|---|---|
| HSBC Custody Nominees (Australia) Limited | 88,822,288 | 31.10 |
| J P Morgan Nominees Australia Pty Limited | 58,462,380 | 20.47 |
| Citicorp Nominees Pty Limited | 53,028,661 | 18.57 |
| News Pty Limited | 41,703,132 | 14.60 |
| National Nominees Limited | 14,228,231 | 4.98 |
| BNP Paribas Nominees Pty Ltd | 6,495,680 | 2.27 |
| BNP Paribas Noms Pty Ltd | 3,746,276 | 1.31 |
| Citicorp Nominees Pty Limited | 2,084,528 | 0.73 |
| Pacific Custodians Pty Limited | 505,291 | 0.18 |
| Warbont Nominees Pty Ltd | 365,122 | 0.13 |
| CS Third Nominees Pty Limited | 291,000 | 0.10 |
| Pacific Custodians Pty Limited | 277,912 | 0.10 |
| Warrill Nominees Pty Ltd | 275,000 | 0.10 |
| Strategic Value Pty Ltd | 265,362 | 0.09 |
| S M & R W Brown Pty Ltd | 250,000 | 0.09 |
| BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP | 231,630 | 0.08 |
| Navigator Australia Ltd | 197,804 | 0.07 |
| Mr Vincent Crowley | 185,305 | 0.06 |
| Montorio Superannuation Nominees Pty Ltd | 174,203 | 0.06 |
| Mr Timothy John Eakin | 160,000 | 0.06 |
| **Total** | 271,749,805 | 95.15 |

# Shareholder Information

### (C) ANALYSIS OF INDIVIDUAL ORDINARY SHAREHOLDINGS AS AT 11 FEBRUARY 2019:

| Holding | Number of shareholders | % of total shareholders | Number of shares | % of total shares |
|---|---|---|---|---|
| 1 to 1000 | 4,242 | 71.22 | 1,122,385 | 0.39 |
| 1,001 to 5,000 | 1,163 | 19.53 | 2,688,922 | 0.94 |
| 5,001 to 10,000 | 264 | 4.43 | 1,907,249 | 0.67 |
| 10,001 to 100,000 | 258 | 4.33 | 7,052,188 | 2.47 |
| 100,001 and over | 29 | 0.49 | 272,827,655 | 95.53 |
| Total | 5,956 | 100.00 | 285,598,399 | 100.00 |

There were 2,795 holders of less than a marketable parcel.

### (D) VOTING RIGHTS OF SHAREHOLDERS

The voting rights are governed by rule 16 of the Constitution. In summary, shareholders are entitled to vote in person or by proxy, attorney or corporate representative at any meeting of shareholders of the Company on:

- a show of hands – one vote per shareholder; and
- a poll – one vote per share.

### 2. OPTIONS

There are no issued options.

### 3. DIRECTORS' INTERESTS

The relevant interest of each Director in the securities of the parent entity as at 11 February 2019 was:

| Director | Number of shares | Number of options |
|---|---|---|
| H McLennan | – | – |
| P Connolly | 65,935 | – |
| R Amos | – | – |
| C Davis | 420,134 | – |
| B Rowe | – | – |

### 4. OTHER INFORMATION

#### STOCK EXCHANGE LISTING

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

#### ENQUIRIES

Shareholders or investors with any enquiries concerning their shareholding, shareholder details, dividend information, or administrative matters, should direct their enquiries to the Share Registry. Contact details for the Share Registry appear on the inside back cover.

#### DIVIDEND PAYMENTS

Dividends to shareholders may be paid direct to any bank, building society or credit union account in Australia. Shareholders who wish to receive dividends by electronic transfer should advise the Share Registry.

#### TAX FILE NUMBER (TFN)

The Company is obliged to deduct tax from unfranked or partially franked dividend payments to shareholders resident in Australia who have not supplied their TFN to the Share Registry. To avoid this deduction, you should advise the Share Registry of your TFN.

# Shareholder Information

## REGISTER YOUR EMAIL ADDRESS

Shareholders are encouraged to register their email address to receive dividend advices, notification of availability of annual reports, notices of meeting, access to online voting and other shareholder communications. To register, shareholders should go to www.linkmarketservices.com.au, log in to their shareholding through the Investor Centre and select the "All communication by email" option.

Other services available to shareholders at this website include: viewing details of their shareholdings, updating address details, updating bank details and obtaining a variety of registry forms.

## CONSOLIDATION OF HOLDINGS

Shareholders who have multiple issuer-sponsored holdings and wish to consolidate their separate shareholdings into one account should advise the Share Registry in writing.

## CHANGE OF NAME OR ADDRESS

Shareholders who are issuer sponsored should notify the Share Registry in writing of any change in either their name or registered address. If a change of name has occurred, it will be necessary to supply a certified copy of the relevant deed poll or marriage certificate. Shareholders sponsored by a broker (CHESS) should advise their broker of the amended details.

## DIVIDEND REINVESTMENT PLAN (DRP)

The Directors determined to suspend the DRP effective from 15 February 2018.

Shareholders may elect to participate in any future DRP for all or part of their shareholding. Shareholders wishing to participate in any future DRP should contact the Share Registry. Terms and conditions of the DRP, the DRP Guide and forms to apply for, vary or cancel participation in the DRP are also available on the Company's website, www.htande.com.au.

## INVESTOR INFORMATION

The Annual Report is the most comprehensive publication with information for investors. Copies of the 2018 Annual Report and 2018 Shareholder Review may be obtained by contacting the Share Registry or on the Company's website, www.htande.com.au. Other financial and relevant information, including press releases on financial results and Chairman's addresses, are available from the corporate office in Sydney, or at the Company's website, www.htande.com.au.

# Five Year Financial History

The below reflects the operations of the Group and should be read in conjunction with the 2018 financial statements, together with the accompanying notes. Certain comparative financial information for 2017 has been restated for changes in accounting standards.

The consolidated balance sheet at 31 December 2018 does not include the assets and liabilities of the entities divested as part of the sale of Adshel.

Several financial measures are used by the Group to monitor financial performance against the overall strategy, including profit after taxation attributable to owners for the parent entity and underlying EBITDA.

| | 2018 $'m | 2017 $'m | 2016 $'m | 2015 $'m | 2014 $'m |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Total revenue[1] | 272 | 472 | 658 | 850 | 843 |
| EBITDA[2] | 72 | 118 | 91 | 166 | 164 |
| Depreciation and amortisation | 5 | 38 | 8 | 35 | 33 |
| EBIT[3] | 67 | 80 | 83 | 131 | 131 |
| Net interest expense | 6 | 9 | 18 | 32 | 36 |
| Adjusted net profit[4] | 51 | 43 | 63 | 70 | 75 |
| Statutory net profit/(loss) | 226 | (117) | (6) | (10) | 11 |
| NPATA[5] | 56 | 54 | 66 | 78 | 81 |
| **Balance sheet** | | | | | |
| Equity excluding non-controlling interests | 535 | 586 | 801 | 426 | 434 |
| Total assets | 748 | 1,028 | 1,145 | 1,134 | 1,129 |
| Total borrowings | – | 134 | 163 | 477 | 497 |
| Net debt | (128) | 115 | 143 | 456 | 458 |
| **Statistical analysis** | | | | | |
| EBITDA/total revenue[1] | 26.4% | 25.1% | 20.0% | 19.6% | 19.3% |
| Net debt/EBITDA (times) | (1.8) | 1.0 | 1.2 | 2.7 | 2.8 |
| Interest cover based on EBITDA[2] (times) | 13.2 | 14.9 | 9.8 | 5.2 | 4.5 |
| Basic earnings per share (cents)[3,4] | 16.4 | 13.9 | 31.4 | 44.4 | 49.5 |
| Basic earnings per share based on NPATA (cents)[5] | 16.6 | 17.6 | 33.1 | 49.5 | 53.8 |
| Dividend per share (cents) | 79.0 | 7.0 | 4.0 | – | – |
| Dividend payout ratio[7] | 482% | 50% | 13% | 0% | 0% |
| ROIC[8] | 23.9% | 13.4% | 9.6% | 17.3% | 17.2% |
| No. of shares on issue ('000) | 285,598 | 308,912 | 307,494 | 1,029,041 | 1,029,041 |
| No. of shareholders[9] | 5,979 | 6,449 | 6,640 | 6,818 | 7,166 |
| Market capitalisation ($'m) | 451 | 581 | 873 | 545 | 859 |
| Market price per share at 31 December | $1.58 | $1.88 | $2.84 | $0.53 | $0.83 |

(1) Total revenue from continuing operations, excludes gain sale of Adshel.

(2) 2018 Earnings before interest, tax, depreciation and amortisation from continuing operations and before exceptional items. 2017 has not been adjusted for discontinued operations.

(3) Earnings before interest and tax from continuing operations and before exceptional items. 2017 has not been adjusted for discontinued operations.

(4) Net profit attributable to owners of the parent entity after tax and before exceptional items. 2018 is including discontinued operations.

(5) Net adjusted profit after tax before amortisation and exceptional items. 2018 is including discontinued operations

(6) Earnings per share are before exceptional items. Comparative EPS has been restated for the share consolidation and the bonus element included in the 2016 equity raisings.

(7) Dividend per share divided by Basic earnings per share.

(8) 2018 EBITDA for the year including Adshel for nine months divided by closing balance sheet capitalisation. Prior to 2018, earnings before interest, tax and amortisation.

(9) As at 31 December.

# Corporate Directory

**HT&E LIMITED**
**ABN 95 008 637 643**

## DIRECTORS

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

## COMPANY SECRETARY

Yvette Lamont

## REGISTERED OFFICE

Level 4, 100 William Street
SYDNEY NSW 2011

**Telephone:** +61 2 9333 4999
**Facsimile:** +61 2 9333 4900

## SHARE REGISTRY

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

**Telephone**
(Australia) 1300 553 550
(International) +61 1300 553 550

**Fax**
(Australia) 02 9287 0303
(International) +61 2 9287 0303

**Email**
registrars@linkmarketservices.com.au

**Website**
www.linkmarketservices.com.au

## AUDITORS

PricewaterhouseCoopers
One International Towers Sydney
Watermans Quay
BARANGAROO NSW 2000

## PRINCIPAL BANKERS

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

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

**PricewaterhouseCoopers
Level 17, One International Towers Sydney
Watermans Quay
Barangaroo NSW 2000
on 9 May 2019
at 9:00am**

www.htande.com.au