

ANNUAL TAX
TRANSPARENCY
REPORT 2020



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ABOUT SCA



- Southern Cross Austereo (SCA) is Australia's preeminent and most diverse entertainment company, with audio and visual brands and content reaching 95% of Australians and Group revenues of \$540.2m in FY2020.
- Dominant brands supported by leading social media, live events, video, online and mobile assets, delivering truly national and local content ensures communities want to watch, listen to and engage with SCA in a meaningful way every day.
- Its strength as a media company comes from its people; high profile national and local celebrities; and talented and dedicated employees located in more than 60 offices.
- SCA reaches more than 10 million Australians every week across its expansive radio, television and digital networks.
- SCA comprises of Australian companies headed by an ASX listed company, Southern Cross Media Group Limited (SCMG). SCMG does not directly or indirectly, partly or wholly own, any foreign subsidiaries and the group only operates in Australia.

ABOUT THIS REPORT



- This report provides information regarding SCA's tax activities for the year ended 30 June 2020 (FY2020), including our approach to strategy and governance, information about our effective tax rate and an overview of our Australian tax contribution. It should be read in conjunction with SCA's Annual Report 2020, which can be found on our website at www.southerncrossaustereo.com.au
- In preparing this report, SCA has followed the recommendations of the Board of Taxation's voluntary tax transparency code (TTC) and has considered the AASB's draft guidance on the TTC tax reconciliation and effective tax rate calculation disclosures.
- The aim of the TTC is to provide a mechanism by which medium and large companies can be publicly transparent around, and held accountable for, their Australian tax affairs, and to give stakeholders and the general public confidence that companies are compliant with their statutory tax obligations. SCA supports the concept of voluntary tax transparency and believes it improves public trust in tax compliance.

BASIS OF PREPARATION



The basis of preparing the disclosures in this report are as follows:

- All dollar figures in this report are in Australian currency
- Information in this report is sourced from: SCA's Annual Report; the consolidated income tax return for SCMG, which includes all the wholly owned Australian entities of the group; other SCA tax filings; SCA's internal financial and other records; SCA's Taxation Risk and Governance policy; and SCA's Audit & Risk Committee Charter
- The tax impacts of non-wholly owned subsidiaries consolidated by SCMG are included in the disclosures, which are drawn from SCA's Note 7 to the financial report. The tax impacts of those entities which are not consolidated, such as investments accounted for under the equity method, are not included in SCMG's income tax return, this report or separately disclosed in SCA's Annual Report
- SCA considers materiality based on both quantitative and qualitative factors, to ensure there are no misstatements that could influence the decisions that users make regarding their level of understanding of SCA's tax affairs
- SCA collated information from audited and other reliable sources as noted above. The report has been reviewed and signed off by the Chief Financial Officer. SCA has not obtained external assurance.



APPROACH TO TAX STRATEGY AND GOVERNANCE

Australian tax consolidated group

SCA lodges a single Australian tax return which consolidates the results of the wholly owned subsidiaries of the ASX listed head company of the group, SCMG. Non-wholly owned Australian subsidiaries submit their own tax returns.

SCA does not have any non-Australian subsidiaries or operations and hence has no international related party dealings.

Audit and Risk Committee

Tax risk management and governance falls under the oversight of the Audit and Risk Committee (ARC) and tax risk is managed pursuant to documented policy. Management reports to the ARC on any significant taxation matters as they arise. SCA's professional tax advisor, KPMG, reports to the ARC on SCA's taxation affairs at least annually.

Meeting all tax responsibilities

SCA's tax risk management and governance principles are documented and enforced through SCA's documented tax governance framework, including the Board endorsed Taxation Risk and Governance Policy published on our website, together with operationally focused internal documentation.

SCA is committed to meeting all its tax responsibilities and engages with all taxing authorities at a federal, state and territory level in a professional and constructive manner.

SCA takes a conservative approach to its tax planning, which is consistent with its low risk appetite in regard to taxes. Taxes are managed with the objective of filing all returns and paying all taxes on time and in accordance with applicable legislation.

Effective tax rate and reconciliation of accounting profit to income tax FY2020

The income tax expense disclosed in SCA's FY2020 financial report is calculated based on Australian Accounting Standards.



The effective tax rate for FY2020 excluding significant items was 31.1% (FY2019: 30.5%).

A reconciliation of SCA's accounting profit to income tax expense and effective tax rate is provided below.

Reconciliation of accounting profit to tax expense (refer Note 7 of SCA's FY2020 financial report)

A\$'000	FY2020		FY2019	
	Reported	TTC Excluding significant items ¹	Reported	TTC Excluding significant items ²
Profit before income tax expense	38,294	48,654	(129,475)	106,631
Tax at the Australian tax rate of 30%	11,488	14,596	(38,843)	31,989
Add tax effect of recurring items:				
Non-deductible entertainment expenses	900	900	1,200	1,200
Less tax effect of recurring items:				
Share of net profits of associates	(191)	(191)	(216)	(216)
Other net non-deductible expenses / (non-assessable income)	(189)	(189)	(176)	(176)
Tax effect of non-recurring items:				
Sale of investment			(280)	(280)
Impairment of investments	1,841			
Adjustments recognised in the current year in relation to prior years	(655)		235	
Income tax expense	13,194	15,116	(38,080)	32,517
Effective tax rate	34.5%	31.1%	29.4%	30.5%

1. Excludes the impairment of investments, restructuring charges, the modification loss on refinancing and the related deferred tax credits; and prior year tax impacts

2. Excludes the impairment of intangibles and property, plant & equipment held for sale and the related deferred tax credits; and prior year tax impacts

Effective tax rate and reconciliation of accounting profit to income tax FY2020 (cont.)



A reconciliation of SCA's income tax expense to income tax payable per SCA's FY2020 financial report is provided below.

Reconciliation of income tax expense to tax payable

(Refer tax paid in the Consolidated Statement of Cash Flows in SCA's 2020 financial report)

A\$'000	FY2020	FY2019
Income tax expense	13,194	(38,080)
Deferred tax credit (temporary differences)	1,601	68,703
Adjustment for current tax of prior periods	(2,978)	(861)
Tax payable - current year	11,817	29,762
Timing differences between tax expense and tax payments ¹	6,491	4,859
Tax paid	18,308	34,621

1. Prior year tax paid/received in FY2020 and FY2020 tax payable/receivable in FY2021

Income tax expense is recognised based on the applicable Australian accounting standards. It reflects income tax expense that may be accrued and adjustments for items under the accounting standards for the reporting period that do not necessarily result in an immediate cash tax impact for that period. Given this, we have provided a reconciliation of cash tax paid to income tax expense for FY 2019 on the next page.

The deferred tax credit in FY 2019 was mainly due to the \$68.065 million derecognition of the deferred tax liability on impairment of the intangible assets relating to television licences.

Reconciliation to ATO public data disclosures FY2019

As SCA has a total income of more than \$100 million, the ATO will publish certain tax information on the Australian Government Data website drawn from SCMG's consolidated income tax return (Tax return). The information expected to be published for FY2019 is shown below, with a description of how this bridges to the disclosures contained in SCA's FY2019 financial report.



The ATO is expected to publish SCMG's tax information for FY2019 as follows:

FY2019 Tax return	A\$'000
Total income	661,611
Taxable income	109,965
Income tax payable	32,561

The total income of the SCMG tax consolidated group listed above was derived from the underlying financial records of SCA for the companies that are members of the SCMG tax consolidated group. The accounting profit before tax and significant items for these companies was \$106.631m in the FY2019 financial report. This results in a TTC effective tax rate of 30.5% for FY2019. Significant items were excluded from the TTC effective tax rate calculation to better explain the sustainable effective tax rate. The significant items related to the impairment of intangibles and the fair value loss on sale of assets held for sale. The impairment expense was not deductible for tax purposes and the assets held for sale were sold in FY2020 and therefore the loss was not deductible in FY2019.

The income tax payable as per note 6 of the FY2019 financial report was \$29.762m. \$29.566m of the income tax payable related to members of the SCMG tax consolidated group, and \$0.196m related to non-wholly-owned subsidiaries.

The difference between the ATO reported amount of \$32.561m and the \$29.566m amount reported in Note 6 of the financial statements arose because SCMG used accounting estimates for financial reporting purposes in relation to property, plant and equipment deductions, research and development deductions, entertainment expenses and asset sales, including the assets held for sale, which were treated as deductible in the financial statements. SCMG determined the correct taxation treatment for these expenditures and profits prior to lodging the FY2019 income tax return.

Tax contribution summary for FY2020



A summary of the total cash taxes paid to Australian federal and state tax authorities for the year to 30 June 2020 is provided below.

Note that income tax incurred is the amount paid in the year, while the other taxes incurred and collected represent amounts paid, and JobKeeper received, in respect of the year.

SCA's tax contribution summary to 30 June 2020

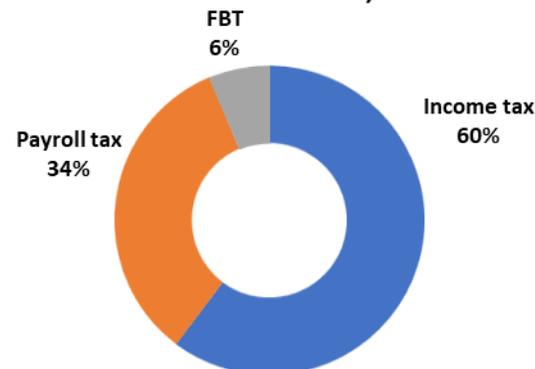
A\$'000	FY2020	FY2019
Taxes incurred by SCA		
Income tax ¹	18,308	34,621
Payroll tax ²	10,174	9,967
Fringe benefits tax (FBT) ³	1,908	2,051
Total taxes incurred by SCA	30,390	46,639
Taxes collected and remitted by SCA		
Employee taxes withheld	46,228	48,001
GST	25,101	34,030
Total taxes collected and remitted by SCA	71,329	82,031
JobKeeper receipts	(16,059)	-
Total taxes paid and collected by SCA (net of JobKeeper)	85,660	128,670

1. The income tax amount is the amount paid in the year and may differ from the final income tax payable for FY 2020

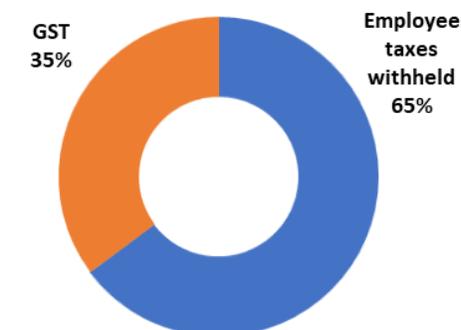
2. The payroll tax includes amounts totalling \$1.542m deferred until between October 2020 and January 2021

3. FBT cash paid for the year to 31 March 2020

TAXES INCURRED BY SCA FY2020, %



TAXES COLLECTED AND REMITTED BY SCA FY2020, %



SCA