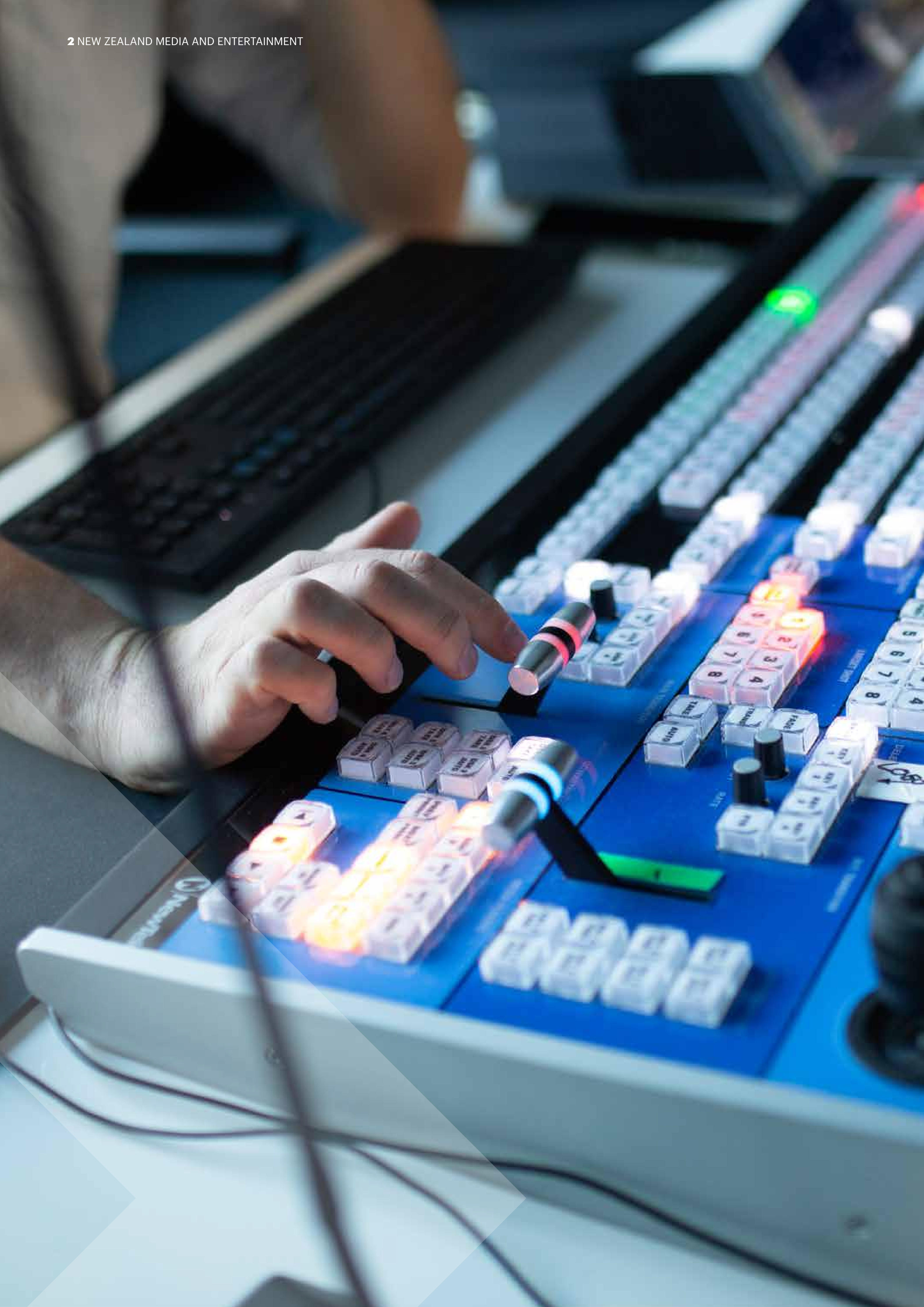
NZME.

NEW ZEALAND
MEDIA AND
ENTERTAINMENT

KEEPING KIWIS IN THE KNOW

NZME LIMITED ANNUAL REPORT

For the year ended 31 December 2020



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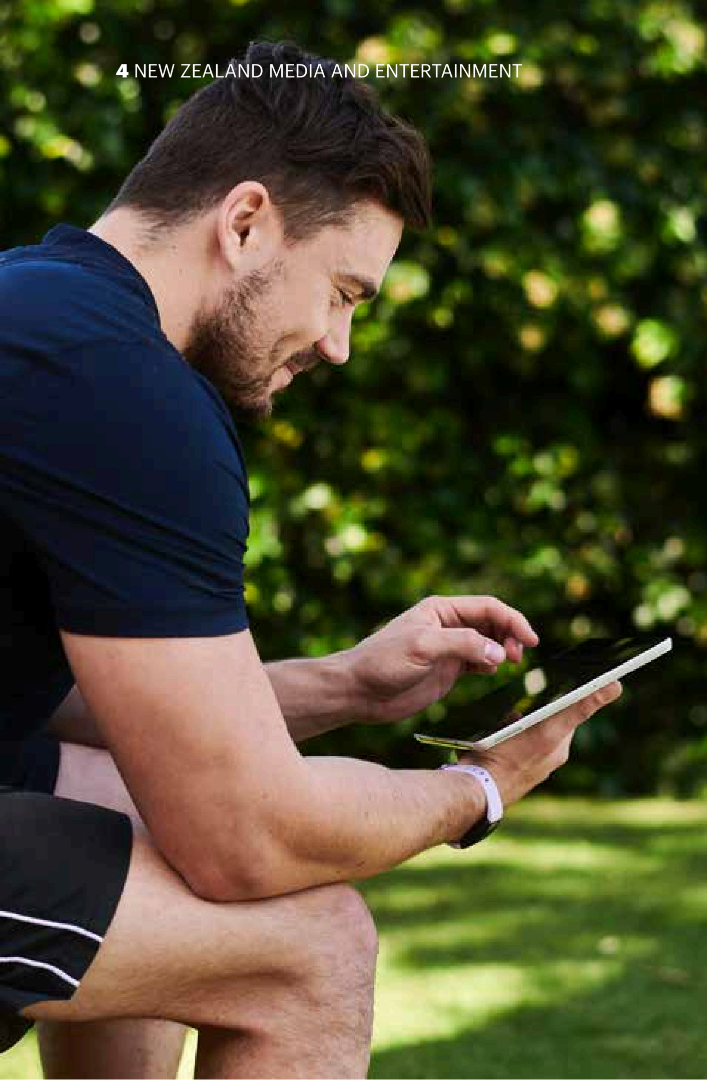
This annual report is dated 23 February 2021 and is signed on behalf of the Board of Directors by:

Barbara Chapman
Chairman

Carol Campbell
Director



OPERATIONAL HIGHLIGHTS

AUDIO

9
Audio brands

NewstalkZB
#1 commercial radio network and ZB's Mike Hosking Breakfast Show the most popular Breakfast show[1]

35.8%
radio audience market share[2]

2.0 million
weekly listeners[1]

ZM Breakfast
#1 breakfast show for 25 to 54 year old New Zealanders[2]

40.4%
radio revenue market share for 12 months to Dec 2020[3]

iHeartRadio
Growth to 1.1 million registered users (up 12%) and 5.2 million average monthly listening hours (up 35%), growing revenue 45%

PUBLISHING

32
print publications across New Zealand[4]

1.4 million
weekly readers[5]

54.1%
print readership market share[5]

1.9 million
NZ Herald weekly brand audience[5]

585,000
average issue readership[5]

47.1%
print advertising revenue market share for 12 months to Dec 2020[6]

17
websites extending digital reach

2.6 million
digital users per month across NZME titles[5]

24.3%
digital display advertising revenue market share for nine months to Sept 2020[8]

1.8 million
monthly unique audience on nzherald.co.nz[7]

102,000
subscribers access NZ Herald Premium including 53,000 paid digital subscribers

ONEROOF

19
real estate publications, including seven OneRoof Local magazines

89.0%
of nationwide residential for-sale real estate listings[9]

53%
growth in digital classifieds revenue on oneroof.co.nz to $4.3 million for the 12 months to Dec 20 (compared to the 12 months to Dec 19)

460,000
monthly unique audience on oneroof.co.nz[7]

#1
residential for-sale real estate listings site in Auckland for the majority of 2020[9]

[1] GfK, RAM, Commercial Radio Stations, Total NZ S4 2020, Cummulative Audience (%), AP10+. Rounded up from 1.985 million. [2]GfK, RAM, Commercial Radio Stations, Total NZ S4 2020, Market Share (%), NZME including partners, 25 - 54. [3]PwC Radio advertising market benchmark report, 12 months to 31 December 2020 vs 12 months to 31 December 2019. Note: report excludes independent broadcasters. [4]Print publications include 7 Metro and Regional newspapers, 17 Community newspapers and 8 Newspaper Inserted Magazine. [5]Nielsen CMI Fused Q3 19 – Q2 20, November 2020, AP15+. [6]PwC NPA quarterly performance comparison report, December 2020. [7]Nielsen Online Ratings, December 2020. [8]IAB digital advertising revenue – General Display, IAB NZ Digital advertising revenue report, Q3 2020. [9]OneRoof's listings as a percentage of residential for-sale real estate listings on trademe.co.nz.

2020 FINANCIAL RESULTS SUMMARY

$331.2m
Operating Revenue[1]
2019 $371.7m | ▼ 11%

$67.3m
Operating EBITDA[1]
2019 $65.7m | ▲ 3%

$22.0m
Operating NPAT[1]
2019 $17.3 m | ▲ 27%

11.1cps
Operating EPS[1]
2019 8.8cps | ▲ 26%

$14.2m
Statutory NPAT[1]
2019 ($165.2)m | ▲ 109%

Reader Revenue Growth 2%

Significant growth in digital subscriptions revenue offsetting the decline in print reader revenue year-on-year.

Cost Savings 14%

Ongoing focus on cost management and swift actions taken to mitigate the impacts of Covid-19 on the business.

Net Debt Down $40.9m

Net debt reduction to $33.8 million and leverage ratio reduced to 0.6 times EBITDA[2] (excluding NZ IFRS 16).

[1] Operating results presented include the impact of NZ IFRS 16, however exclude exceptional items to allow for a like for like comparison between 2019 and 2020 financial years. [2] Operating results presented and used in these calculations exclude the impact of NZ IFRS 16 and exclude exceptional items. Please refer to pages 35-36 of the NZME 2020 Full Year Results Presentation for a detailed reconciliation. Operating and statutory results include $8.6 million (net) of Covid-19 government wage subsidy received in H1 2020.


NZME.

CHAIRMAN'S REPORT

Kia ora and welcome to the New Zealand Media and Entertainment Annual Report for the year ended 31 December 2020.

2020 will leave an indelible mark on the history of our company, on New Zealand and indeed the world.

On February 28, as Covid-19 arrived on New Zealand's shores, we faced into a period of uncertainty the likes of which we have never before experienced.

In the face of this incredible disruption we can all be very proud of how NZME's people and its leadership responded to the challenges of the Covid-19 pandemic.

NZME's platforms, which have been experiencing some of the highest audience engagement levels in years.

As New Zealand went into Covid-19 lockdown, the brakes were applied to the New Zealand economy and the impact on businesses advertising was significant.

NZME's leadership responded with a set of initiatives aimed at making sure the business was protected from the worst of the revenue impacts of Covid-19.

THE ADVERSITY CAUSED BY COVID-19 REVEALED IN NZME A RESILIENT, ROBUST, RESOLUTE AND EMPATHETIC CHARACTER.

NZME's response was swift, focussed and delivered with purpose. From the outset, and consistently throughout, we took a people first perspective, ensuring NZME staff were kept safe and well informed.

Simultaneously our business continuity plan was deployed ensuring we continued to operate as an Essential Service during the lockdown periods. This kept our audiences informed and engaged with news and information they could trust and have confidence in. This also ensured our commercial partners and advertisers continued to reach their customers through

Reducing costs across the business and continuing our focus on debt reduction were both aimed at providing certainty for shareholders and our people.

As we have stated previously, the government wage subsidy supported the production of quality journalism and broadcasting during an extremely difficult period and helped NZME retain roles that are now supporting the delivery of our purpose of keeping Kiwis in the know.

The adversity caused by Covid-19 revealed in NZME a resilient, robust, resolute and empathetic character. It revealed a leadership team confident to make difficult but necessary decisions, and a team with the capability to execute swiftly.

This response has meant NZME has returned an Operating Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA")[1] growth of 3% in 2020 to $67.3 million, despite an overall decrease in revenue of 13% for the year.

During 2020, NZME maintained its focus on effective capital management. This resulted in a significant reduction in net debt to $33.8 million at 31 December 2020, down from $74.7 million as at 31 December 2019.

Whilst 2020 will primarily be remembered for Covid-19, a number of transformational initiatives aimed at accelerating NZME's momentum in key strategic priorities were delivered on. These included a new audio strategy focused on audience and revenue growth, and ongoing investment in the audience engagement and subscriber growth across NZME's flagship news website, nzherald.co.nz. OneRoof achieved growth in listings, audience[2] and revenue.

In November 2020 NZME introduced investors and analysts to refreshed guiding principles and strategic priorities that the Board will employ to maximise value creation for our customers and shareholders.

[1] Operating results presented include the impact of NZ IFRS 16, however exclude exceptional items to allow for a like for like comparison between 2019 and 2020 financial years. Please refer to pages 35-36 of the NZME 2020 Full Year Results Presentation for a detailed reconciliation. Operating and statutory results include $8.6 million of Covid-19 government wage subsidy received in H1 2020. [2] Nielsen Online Ratings, December 2020.

These principles are a relentless focus on always putting our **Customers First**; we will be dedicated to a premium **Win with Quality** approach; we will drive **Digital Acceleration** delivering world class digital experiences for our customers; we will continually seek out new opportunities to deliver **Audience Expansion**; and we will strive for **Top Performance**, measured against industry and sector competitors and against the performance of the publicly listed company environment.

With these guiding principles in mind, we also reset our focus on NZME's key strategic priorities, evolving each against a set of measurable targets to be achieved by 2023. By 2023 NZME will be home to **New Zealand's leading audio company**; the New Zealand Herald will be **New Zealand's Herald** and OneRoof will be **your complete property destination**.

2020 has been a year of extraordinary challenge and change. NZME has responded with resilience and initiative.

Dividend Policy

NZME intends to pay dividends of 30-50%of Free Cash Flow subject to being within its target leverage ratio and having regard to NZME's capital requirements, operating performance and financial position. NZME's Target Leverage Ratio is 0.5 to 1.0 times rolling 12 month EBITDA[1] (pre NZ IFRS 16). Full dividend policy is available at: www.nzme.co.nz/investor-relations/dividends/

I am confident our business will continue to respond successfully as the ongoing impacts of the of the Covid-19 pandemic will be felt throughout 2021 and beyond.

Based on current performance and NZME's improved capital position, the Board expects to be able to return to payment of dividends in the second half of 2021.

Your board wishes to thank shareholders for your support across the year especially during those months when Covid-19 first hit New Zealand, and for the confidence you have shown in the initiatives delivered during 2020.

We are pleased to welcome New Zealand tech entrepreneur Guy Horrocks to the board of NZME in 2021. Guy brings a background in successfully growing digital businesses, strong capability in the commercialisation of data, and a focussed entrepreneurial mindset to our Board.

Barbara Chapman
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

Like virtually every enterprise, community and individual, 2020 presented New Zealand Media and Entertainment an extraordinary set of challenges created by the Covid-19 pandemic.

The systems and processes to support the health, safety and wellbeing of our people were put to the test. NZME was challenged to operate as an Essential Service in unprecedented nationwide and Auckland lockdowns and, facing incredible uncertainty, the advertising community was forced to dramatically reduce their advertising with all media companies.

As I reflect on 2020, I'm incredibly proud of the response from our people, our leaders and our commercial partners which was, and continues to be, outstanding.

As a result of that response, NZME continues to make a solid recovery from the impacts of Covid-19. This recovery reflects the strong position NZME was in prior to Covid-19, the swift response across the company and our people's complete focus on looking after our audiences and our partners.

Our people stayed steadfastly committed to our purpose of keeping Kiwis in the know. NZME's journalism excelled across all of our digital, print and radio news platforms. Our entertainers did what they do best, keeping Kiwis connected and their spirits up.

New Zealanders rewarded our dedicated teams with extraordinary audience engagement levels[1]. Our commercial partners have steadily grown their investment in advertising as their businesses have recovered from the initial shock and uncertainty that Covid-19 created.

2020 Financial Results

The substantive impact of Covid-19 on NZME's advertising revenue began in April with revenue down nearly 50% on April 2019. In subsequent months revenue continued to be significantly impacted before eventually returning to growth by the end of the year.

The overall impact for the year was an 11% reduction in Operating revenue[2] to $331.2 million, when compared to 2019. NZME also accessed $8.6 million (net) in wage support from the first tranche of the Government Covid-19 Wage Subsidy Scheme.

The Covid-19 impacts on advertising revenue were off-set by a swift business-wide response that included the suspension and cessation of some operations, workforce restructuring and temporary reductions in directors' fees.

These measures and an ongoing focus on costs resulted in a 14%, or $42.2 million year-on-year reduction in NZME's 2020 Operating expenses[2]. Approximately $20.0 million of those savings are expected to be permanent.

NZME's Operating EBITDA[2] was $67.3 million, an increase of 3% against 2019.

Operating Net Profit after Tax ("NPAT")[2] was $22.0 million and Operating Earnings per Share ("EPS")[2] was 11.1 cents in 2020, an increase of 2.3 cents per share due to higher Operating EBITDA[2] and comparably lower interest expense on loans in line with the reduction in net debt.

Statutory NPAT was $14.2 million, compared to a $165.2 million net loss in 2019 due to a $175.0 million impairment of intangible assets. Excluding the impact of this impairment, Statutory NPAT was up 45% in 2020.

Capital expenditure was lower in 2020 at $6.3 million, a decrease from $11.8 million in 2019 as expenditure was contained in response to Covid-19. Ongoing capital expenditure is expected to be approximately $10 million to $12 million per annum.

NZME's Key Strategic Priorities

NZME made excellent progress against its three key strategic priorities across 2020.

Radio revenue was in growth prior to the impact of Covid-19 and NZME's radio revenue market share grew year-on-year to 40.4%[3]. Revenue from NZME's digital audio platform - iHeartRadio grew 45% in 2020, supported by significant growth in users and engagement in music and podcasts[4].

Growth in NZ Herald Premium subscriptions continues and now exceeds 102,000 subscriptions including more than 53,000 paid digital-only subscribers. NZ Herald readership and brand audience showed significant growth across 2020[5].

[1] Nielsen CMI Fused Q3 19 – Q2 20, November 2020, AP15+. [2] Operating results presented include the impact of NZ IFRS 16, however exclude exceptional items to allow for a like for like comparison between 2019 and 2020 financial years. Please refer to pages 35-36 of the NZME 2020 Full Year Results Presentation for a detailed reconciliation. Operating and statutory results include $8.6 million (net) of Covid-19 government wage subsidy received in H1 2020. [3] PwC Radio advertising market benchmark report, 12 months to 31 December 2020 vs 12 months to 31 December 2019. [4] iHeartMedia, Adobe Analytics, December 2020. [5] Nielsen CMI Q4 19 – Q3 20, November, AP 15+. [6] OneRoof's listings as a percentage of residential for-sale real estate listings on trademe.co.nz.

NEW ZEALAND'S LEADING AUDIO COMPANY

- **Create New Zealand's best local audio content**
- **Grow broadcast and digital reach**
- **Grow market revenue share and digital revenue**

NEW ZEALAND'S HERALD

- **The #1 News brand for all New Zealanders**
- **Subscriber first**
- **Be a safe, scalable destination for advertisers**

YOUR COMPLETE PROPERTY DESTINATION

- **Strengthen core residential listings business**
- **Be indispensable to agents**
- **Expand the portfolio**

The NZ Herald was recognised at the 2020 Voyager Media awards taking the 'Triple Crown' of, 'Newspaper of the Year', 'Website of the Year' and 'Best News Website or App'. For the second year running, NZME was also awarded the top Asia/Pacific prize, at the annual INMA media awards, of 'Best Global Media Brand in Asia Pacific'.

NZME's real estate platform OneRoof continues to grow, now with more than 89% of New Zealand's residential for-sale real estate listings[6]. OneRoof's print revenue, significantly impacted by Covid-19 in the national and Auckland lockdowns, returned to growth in Q4. In 2021 we have welcomed Paul Maher, appointed to give dedicated leadership to OneRoof.

In November 2020, we reset our commitment to our key strategic priorities with a focus on a set of measurable achievements to be delivered by 2023:

- New Zealand's leading audio company
- New Zealand's Herald
- OneRoof, your complete property destination.

We also introduced a new divisional reporting framework that more accurately reflects and aligns with these refreshed strategic priorities.

The Annual Report will now report on our progress in the following new divisions: **Audio** (broadcast and digital radio), **Publishing** (containing print and digital reader, advertising, and other revenue) and **OneRoof** (NZME's print and digital real estate products).

Our measurable targets within each division include a focus on accelerating NZME's digital transformation. With this concerted effort we expect even greater momentum in digital advertising, digital subscriptions, digital classifieds and digital audio products.

Conclusion

To have ended 2020 with a positive result against the backdrop of the significant impacts of the Covid-19 pandemic is very pleasing. These results have been made possible by the dedication of our people and by the support of our suppliers, business partners, advertisers and the government.

I thanked you all in our half year report and I do so again now.

I thank again the millions of New Zealanders who choose to access NZME's news publications and websites for news they can trust and thank you to those Kiwis who listen to our radio networks right around New Zealand.

At NZME we're privileged to have the ongoing support and active interest of our shareholder community and the opportunity to connect across 2020 has been invaluable.

This most tumultuous of years has highlighted the value of a truly engaged and readily available Board of Directors. On behalf of myself and the NZME Executive I would like to thank the NZME Board for your ongoing guidance, counsel and support.

Michael Boggs
Chief Executive Officer

FINANCIAL RESULTS & DIVISIONAL COMMENTARY

Financial Results and Divisional Commentary

Statutory NPAT for 2020 was $14.2 million, compared to a loss of $165.2 million for 2019, with 2019 impacted by a $175.0 million impairment of intangible assets. Please refer to note 3.1 of the consolidated financial statements for further details.

Total Operating revenue[1] was $331.2 million in 2020, down 11% compared to 2019, reflecting advertising market revenue pressures related to Covid-19. 2020 Operating revenue[1] includes $8.6 million (net) of wage subsidy, classified as other income, received due to the severe impact of Covid-19 on second quarter revenue.

Continued focus on cost management and swift action taken to mitigate the impacts of Covid-19 on the business resulted in Operating expenses[1] reducing by 14% compared to the previous corresponding period. For 2020 there was around $30.0 million of activity related and temporary cost reductions as a result of the response to Covid-19, together with permanent savings which are expected to result in a $20.0 million annualised reduction in the cost base. The majority of the permanent reductions are from lower people costs with the temporary savings largely as a result of lower print and distribution costs.

As a result, Operating EBITDA[1] grew 3% to $67.3 million for the year.

Depreciation and amortisation on owned assets was $1.0 million lower for the year as the overall asset base reduced and some assets became fully amortised.

Exceptional items in 2020 totalled $8.0 million, largely attributable to $8.3 million of redundancies due to workforce restructuring, partially offset by one-off income. Exceptional items in 2019 were $9.9 million.

Operating NPAT[1] for 2020 was $22.0 million up 27% on the previous corresponding period and equating to Operating EPS[1] of 11.1 cents per share compared to 8.8 cents for 2019.

Impact of NZ IFRS 16

NZ IFRS 16 was adopted on 1 January 2019, requiring that most leases be recognised as a lease liability on the Balance Sheet with a corresponding "right of use" asset. In the income statement the operating lease cost is reclassified as depreciation and interest. The net negative impact on NPAT of this change was $3.2 million in 2020. Operating EBITDA[1] prior to the to the impact of NZ IFRS 16 was $53.0 million for 2020 which was 5% higher than the $50.6 million result in 2019.

Balance Sheet and Cash Flows

Net debt was $33.8 million at 31 December 2020, a significant reduction from $74.7 million as at 31 December 2019. Net debt has reduced by 65% over the last two years. As a result, the company's leverage ratio is now 0.6 times which is at the lower end of its target range of 0.5 to 1.0 times Net debt to Operating EBITDA[2].

Operating cash flow[1] was $10.0 million higher in the year substantially due to higher earnings and lower working capital.

Capital expenditure was $6.3 million in 2020, $5.5 million lower than the previous year as expenditure was contained given the uncertain impacts of Covid-19. Capital expenditure is expected to return to more normal levels of $10.0 million - $12.0 million in the coming year.

Balances relating to the e-Commerce site GrabOne have been reclassified as "held for sale" as divestment opportunities are being explored.

Divisional Performance

NZME operates as an audience and customer centric, integrated multi-channel media business with market leading news, sport, entertainment and classifieds platforms. The key divisions of the business that align to our 2023 strategic priorities are: Audio (broadcast and digital audio), Publishing (print and digital news and journalism) and OneRoof (our real estate products division including the OneRoof website). To understand the performance of each division a framework has been developed to allocate the various cost pools on an appropriate basis.

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[1] Operating results presented include the impact of NZ IFRS 16, however exclude exceptional items to allow for a like for like comparison between 2019 and 2020 financial years. Please refer to pages 35-36 of the NZME 2020 Full Year Results Presentation for a detailed reconciliation. Operating and statutory results include $8.6 million (net) of Covid-19 government wage subsidy received in H1 2020. [2] Operating results presented and used in these calculations exclude the impact of NZ IFRS 16 and exclude exceptional items.

AUDIO

The audio division includes the company's radio brands and digital audio platform iHeartRadio. Audio revenue was $99.6 million in 2020, down 11% compared to 2019. Audio revenue commenced the year in growth prior to the impact of Covid-19, with monthly revenues returning to 2019 levels by the end of the year.

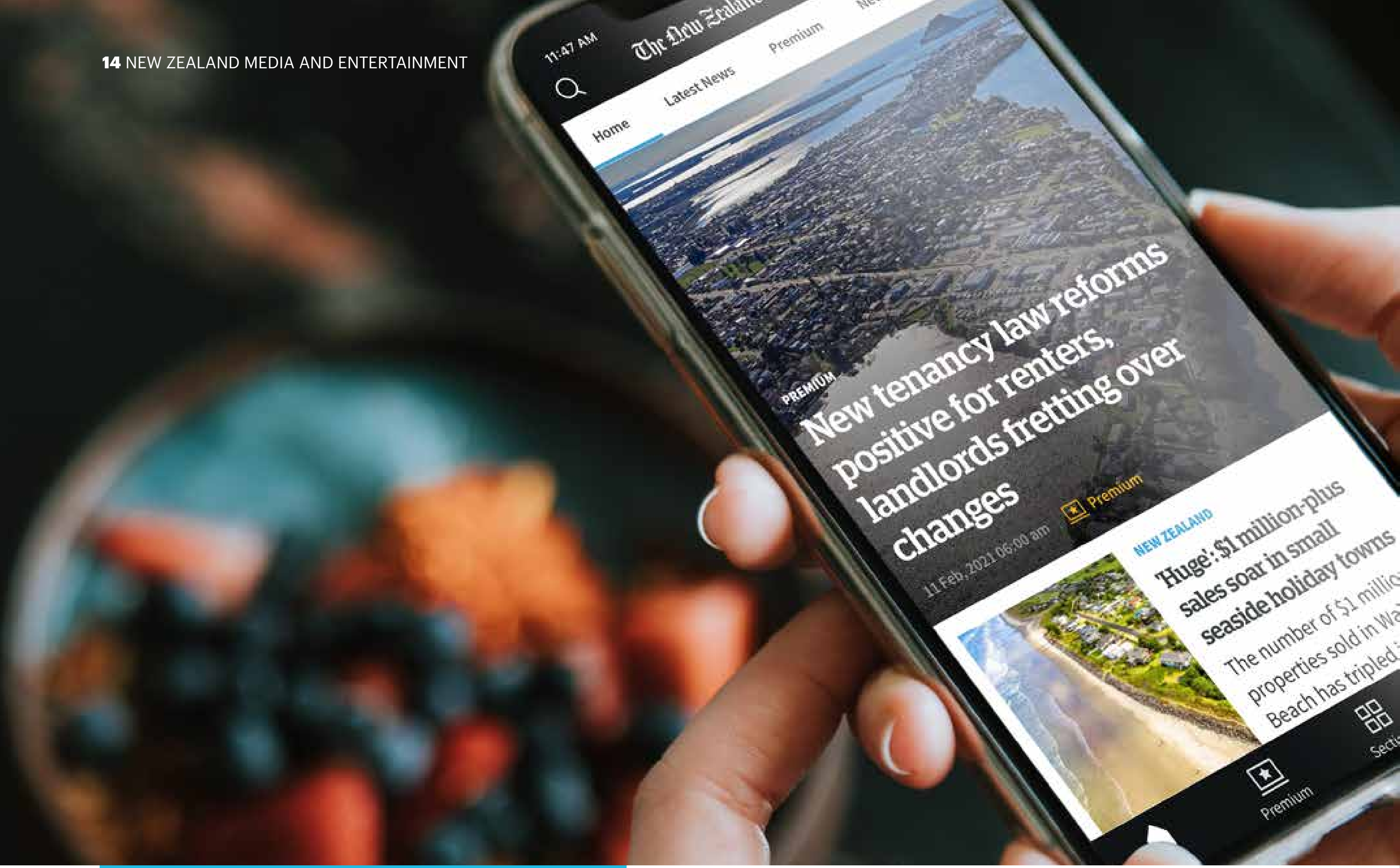
Audio advertising revenue declined 14.1% in the year, slightly better than the radio advertising market decline[4]. This success resulted in a 0.9% gain in radio revenue market share to 40.4% for 2020[4]. We are pleased with this achievement and progress towards our strategic priority of becoming New Zealand's leading audio company.

Radio audience market share in the key 25 to 54 year-old demographic was 35.8% at the end of 2020[5]. During the year we completed a number of brand optimisation initiatives, talent and content changes made to drive audience growth and market share. These are now beginning to be reflected in our results.

Audience gaps within the existing portfolio were identified and a comprehensive research project undertaken. The music format for each station was then refined to broaden audience appeal. As a result, we launched two new stations – Gold (greatest hits) and Gold AM (sport, rural and greatest hits). NZME radio is now more powerful than ever with a portfolio of complementary brands that cover all core demographics.

We have also been working hard this year to maximise the potential of our iHeartRadio digital audio product and are pleased to report 45% growth in revenue in the year, contributing $2.4 million in 2020. This growth has been supported by a 12% increase in registered users to 1.1 million[6] and a significant 35% increase in average monthly listening hours to 5.2 million[7], with iHeartRadio benefitting from the brand and content optimisation initiatives previously mentioned.

[4] PwC Radio advertising market benchmark report, 12 months to 31 December 2020 vs 12 months to 31 December 2019. Note: report excludes independent broadcasters. [5] GfK, RAM, Commercial Radio Stations, Total NZ S4 2020, Market Share (%), NZME including partners, 25 - 54. [6] iHeartMedia, Adobe Analytics, December 2020. [7] AdsWhizz and StreamGuys, December 2020.



PUBLISHING

The publishing division includes the company's print and digital news and journalism products. Publishing revenue was $201.5 million in 2020, down 10% compared to 2019, reflecting the impact of Covid-19 on advertising and retail outlet revenues.

We are pleased to report growth in total reader revenue of 2% to $79.3 million in 2020, with significant growth in digital subscriptions offsetting the decline in retail outlet sales. Total print circulation revenue declined 5% to $72.7 million in 2020, largely driven by a 20% reduction in retail outlet sales revenue as many retail outlets were forced to close during level 4 lockdown.

Our strategic priority of becoming 'New Zealand's Herald', and a subscriber-first publisher, assisted us in achieving print subscriber revenue growth of 1% in the year, helping to offset these pressures on retail outlet sales. Subscriber revenue growth was achieved through effective yield management delivering 3% growth in yield, offsetting a 2% decline in volume.

Digital subscriptions revenue grew $4.9 million to $6.6 million in the year. NZ Herald Premium finished the year with 102,000 subscribers, up 56,000 compared to the prior year-end. This subscriber base includes 53,000 paid digital subscribers, up 33,000 since 31 December 2019.

Print advertising revenue declined 27% to $62.1 million in 2020. However, NZME grew print advertising revenue market share to 47.1%[8]. Initiatives implemented in March 2020 to mitigate the impact of Covid-19 included the temporary suspension of some newspaper inserted magazines and community newspapers.

Readership continues to be strong with 16% year-on-year growth in NZ Herald brand audience to 1.9 million[9], and 1.4 million weekly readers of NZME print publications.

Despite the Covid-19 headwinds during the year, digital advertising revenue grew 2% to $44.6 million, supported by our focus on being a brand-safe and scalable destination for advertisers. We are pleased to report we outperformed the digital display market revenue rate of decline of 6.6%, gaining 1.4% market share to 24.3% for the nine months to September 2020[10].

Monthly digital users grew 11% to 2.6 million and the unique audience of nzherald.co.nz also increased 8% to 1.9 million[11]. Our continued focus on being the number one news brand for all New Zealanders delivered strong results in 2020.

Other publishing revenue of $15.5 million decreased 15% in 2020 due to reduced external print revenue which was impacted by a reduction in third-party printing volumes. However, this has been substantially offset by a reduction in print expenses.

[8] PwC NPA quarterly performance comparison report, December 2020, 12 months to 31 December 2020 vs 12 months to 31 December 2019. [9] Nielsen CMI Q4 19 – Q3 20, November, AP 15+. [10] IAB digital advertising revenue – General Display, IAB NZ Digital advertising revenue report, Q3 2020. Q4 report not yet available. [11] Nielsen CMI Q2 17 – Q3 20, November, AP 15+.

ONEROOF

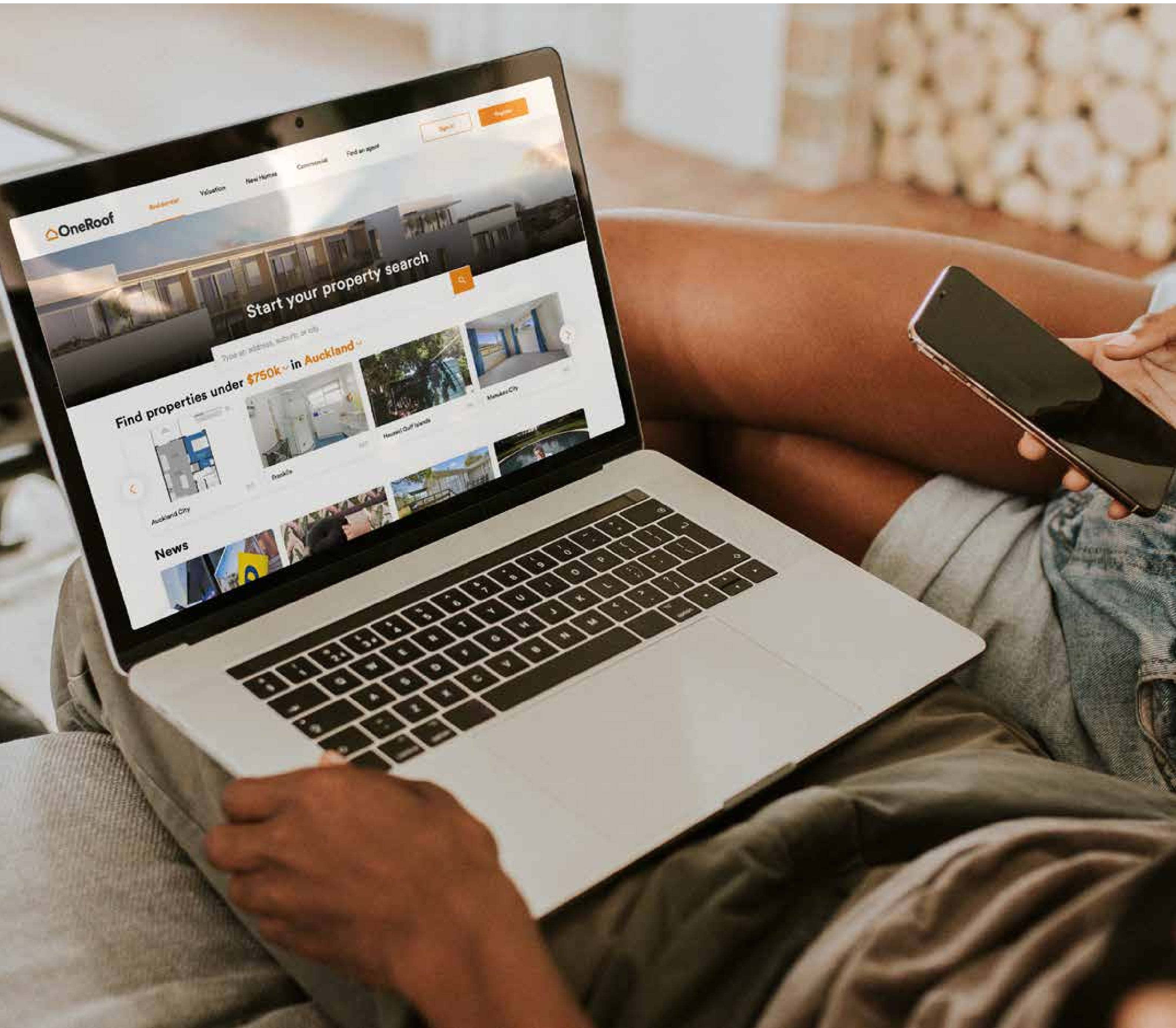
The OneRoof division includes the OneRoof property website and all of the real estate dedicated print publications. OneRoof revenue declined 8% in 2020 to $18.6 million, driven by a 23% decline in print revenue to $13.4 million. OneRoof print revenue was significantly impacted by the Covid-19 lockdowns in the first half of the year before returning to growth in the fourth quarter.

OneRoof held the position as the number one residential for-sale real estate listings site in Auckland for the majority of 2020, with more than 89% of nationwide listings at 31 December 2020, up from 82% at the end of 2019[12].

OneRoof digital classifieds revenue grew 53% to $4.3 million for the year, of which 74% relates to listings. This growth has been supported by a 91% year-on-year increase in OneRoof's digital audience to 460,000[13].

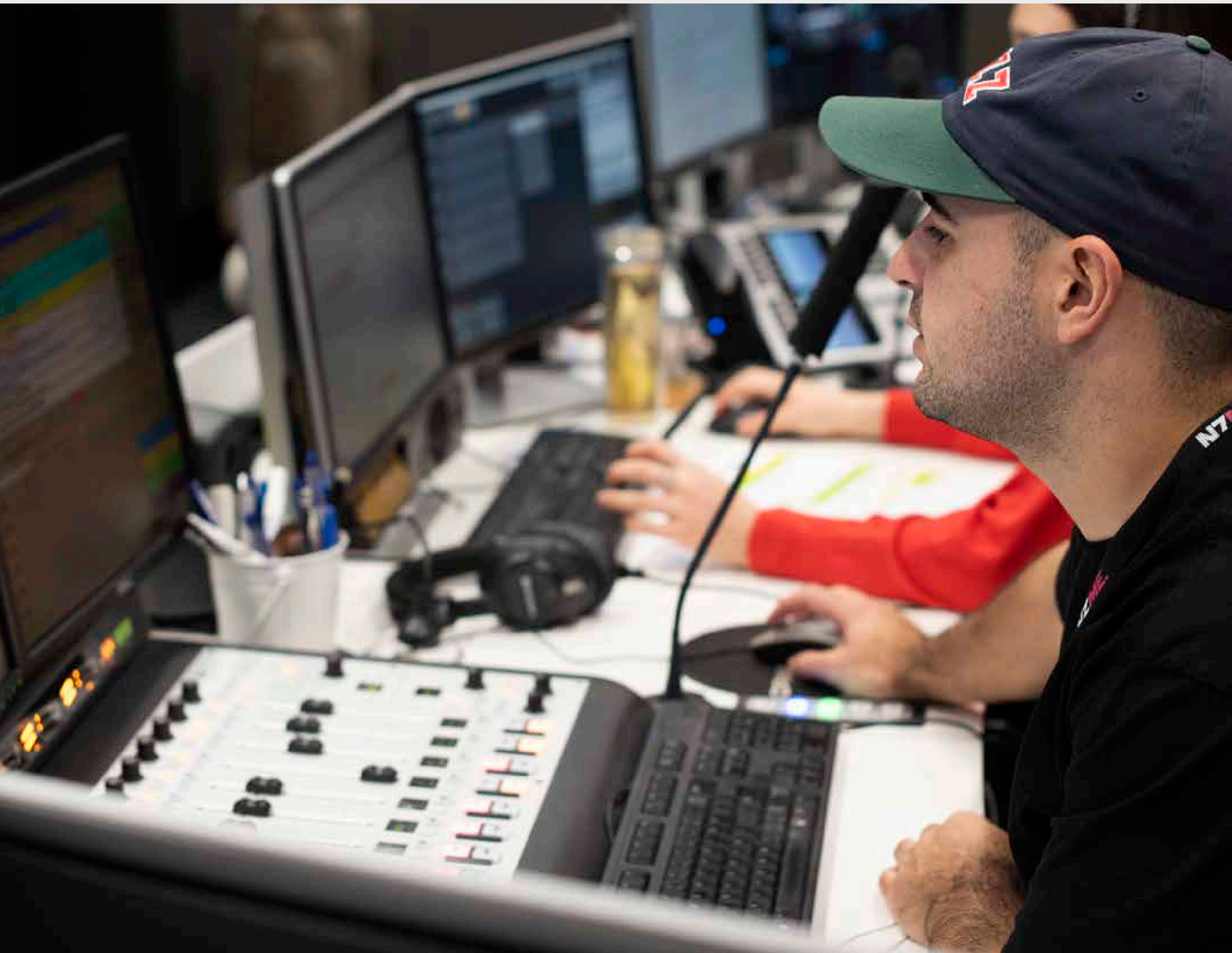
OneRoof Local launched seven new regional real estate publications during the year, and now has real estate products in 19 local markets.

[12] OneRoof's listings as a percentage of residential for-sale real estate listings on trademe.co.nz.
[13] Nielsen Online Ratings, December 2020.



OUR SUSTAINABILITY COMMITMENT

Keeping Kiwis in the know requires a commitment to sustainable practices and the well-being of our people, community and environment.



No one could have anticipated the impact of the Covid-19 pandemic on the nation, our economy, our business and our people – nor the flow on effect across our sustainability commitment. Covid-19 in many respects accelerated our sustainability initiatives, from ways of working through to reductions in travel and our fleet. In other respects, it simply brought initiatives to a complete halt (as we were unable to access our buildings for example).

Measurement of NZME's key sustainability initiatives commenced in 2020 and the following is a progress report to date. We are at the early stages of our sustainability plan and look forward to the development of these initiatives to ensure we have meaningful, sustainable practices for the well-being of our people, the wider community and the environment.

The tables on the following pages include details of progress and baseline measurements. We will continue to report year-on-year progress against these. We note that due to the impact of Covid-19 in 2020, progress may be affected when compared in future progress reports.

We are committed to protecting the craft of journalism and broadcasting to keep Kiwis in the know.

OUR COMMUNITIES

We connect and empower our communities.

- Responsible reporting
- Connecting communities
- Sharing our platforms

8 DECENT WORK AND ECONOMIC GROWTH

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

OUR PEOPLE

We provide a workplace that fosters innovation, engagement and inclusion.

- Promoting a healthy, diverse and safe workplace
- Championing the craft
- Equipping our people

5 GENDER EQUALITY

10 REDUCED INEQUALITIES

OUR ENVIRONMENT

We take our responsibility to the environment seriously.

- Recycling
- Best practice
- Responsibility

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

NZME's sustainability programme is aligned to the guidelines set out in the UN Sustainable Development Goals – an international blueprint to achieve a better and more sustainable future for everyone.

Case Study: The Hits' on-air team staffed Plunket phones to kick off the annual Pledge for Plunket appeal. Plunket is part of the lives of almost 90% of Kiwi babies as well as their whānau (family). Pictured L to R: Hosts Anika Moa, Mike Puru and Stacey Morrison, The Hits Drive Show.

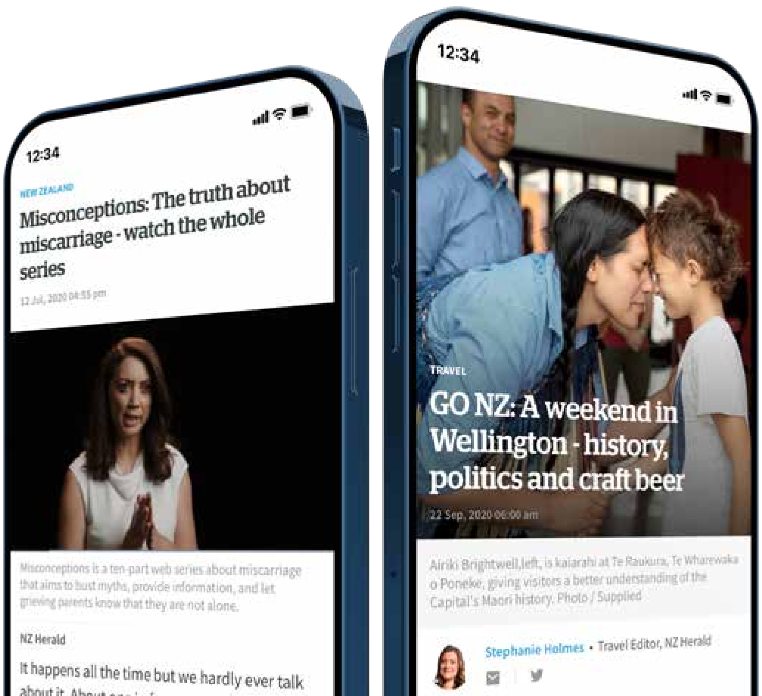
OUR COMMUNITIES

We connect and empower our communities.

With the arrival of Covid-19, NZME (as an essential service) had a critical role to keep Kiwis informed and connected. More than ever, in 2020 NZME used the extensive range of publications, radio networks and digital platforms to connect and support communities right across New Zealand. For example, NZME launched the GoNZ! initiative to support Kiwi businesses to stay connected with their customers.

When Kiwis were asked to stay at home, we had an even greater responsibility to keep our communities connected across our platforms - sharing experiences, stories, advice and often providing reassuring companionship at times when many felt isolated.

NZME recognises the responsibility that comes with acting as a voice of record for New Zealand and, in addition to the activity driven out of Covid-19, we continued to use our reach to address key topics and conversations important to New Zealanders as well as partner with a number of organisations to champion charitable causes and facilitate conversations that matter.



Case Study: Misconceptions – a ten-part web series about miscarriage aimed to bust myths, provide information and let grieving parents know they are not alone.

Case Study: GoNZ! was a call to action for people and businesses to support local businesses in their community as they kick-start their operations and, in some cases, even fight for survival during the Covid-19 crisis.

<table>
<tr><th>INITIATIVE</th><th>PROGRESS</th></tr>
<tr><td rowspan="3">RESPONSIBLE REPORTING AND BROADCASTING
Through best practice broadcasting and journalism, we will provide a diverse and balanced reporting platform, promoting the law and holding the powerful to account.</td><td>NZME strives to adhere to our Editorial Code of Ethics and the principles and standards of the NZ Media Council and the Broadcasting Standards Authority (BSA).</td></tr>
<tr><td><table><tr><th>Regulator</th><th>Number of Upholds</th></tr><tr><td>BSA</td><td>One</td></tr><tr><td>Media Council</td><td>Four</td></tr></table></td></tr>
<tr><td>Where justified in the interests of freedom of expression, open justice and holding the powerful to account, NZME invests in legal challenges to suppression, take down orders, access to court files and other media law challenges. In 2020 NZME participated in at least 24 legal challenges, some of which involved continued investment in opposing or appealing to the High Court, Court of Appeal and the Supreme Court.</td></tr>
<tr><td rowspan="3">CONNECTING COMMUNITIES
We are deeply involved in our communities and as one of New Zealand's largest media platforms we will facilitate conversations about the topics that matter to Kiwis.</td><td>We have maintained our commitment to the regions through the presence of local journalists and broadcasters. We employ 526 journalists and broadcasters nationwide including upweighted newsrooms in Christchurch and Wellington.</td></tr>
<tr><td>We participate in and support the Local Democracy Reporters - NZ On Air funded journalists, hosting two (of eight) democracy reporters in our newsrooms in 2020.</td></tr>
<tr><td>We support an increase in the diversity of content and contributors across our platforms. Initiatives included new partnerships in 2020 with Radio New Zealand (RNZ), The Spinoff and Māori Television. NZME also carries RNZ and 12 iwi stations on iHeartRadio.</td></tr>
<tr><td rowspan="2">SHARING OUR PLATFORMS
We will use our wide reach across New Zealand to provide a range of opinion and ensure a diversity of voices.</td><td>We have utilised our platforms to fight for New Zealanders including the disadvantaged, facilitating conversations that matter and holding the powerful to account. Refer to example case studies page 18 and 20.</td></tr>
<tr><td>In 2020 we have championed and supported charitable causes, providing support to:

ADHD New Zealand
Auckland Rescue Helicopter Trust
Cure Kids
KidsCan
Mary Potter Hospice
MusicHelps
Pet Refuge New Zealand
Plunket
Ronald McDonald House
Shine (Making Homes Violence Free)
Solomon Group (Northland)
Surf Lifesaving NZ
Starship Children's Hospital
Tauranga Community Foodbank
Wellington Children's Hospital</td></tr>
</table>

NZME recognises the responsibility that comes with acting as a voice of record for New Zealand and we continued to use our reach to address key topics and conversations important to New Zealanders.

Case Study: The Northern Advocate and The Hits Northland used their platforms to canvas the local community for assistance to create 20 furnished portacom homes for Northland's homeless.

Case Study: The NZ Herald profiled twelve charities awarded $8,333 grants from Auckland Airport's Twelve Days of Christmas programme in 2020 – now in its thirteenth year. One recipient included OKE Charity who installed a new garden for students at Manurewa South Primary. OKE fundraises the cost of around $10,000 per garden and organised the working bee to build it with a team of community volunteers

OUR PEOPLE

We provide a workplace that fosters innovation, engagement and inclusion.

NZME believes its primary responsibility to its people is to provide an inclusive, safe and healthy workplace and this was more critical than ever with Covid-19. We are proud of the quality and speed of delivery to ensure our people were safe and able to contribute and support government initiatives as an essential service through Covid-19 lockdowns regionally and nationwide.

NZME strives to maintain its position as an employer of choice in the media industry. Our people, policies and practices provide our people with opportunities for learning and development, the ability to choose how to manage a healthy work-life balance, a focus on diversity and inclusion – and a commitment to health, safety and wellness.

NZME continued to support a diverse range of lifestyle choices (including parenting and caring for others) through enabling flexible working options for our employees. During and post lockdowns our people were equipped with resources and skills needed to work from home.

NZME has recognised the need to focus on improving ethnic and cultural diversity both in our people and the content we produce. Initiatives in 2020 included improving the quality of ethnicity data we hold so that meaningful objectives and initiatives can be developed.

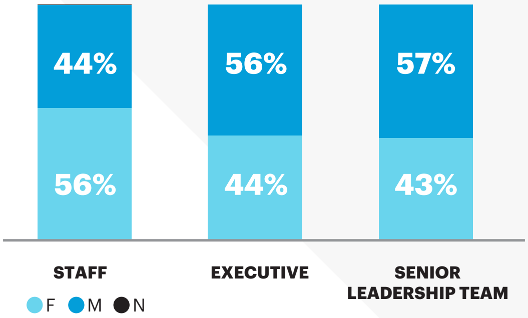
We have appointed a Head of Cultural Partnerships in our newsroom to continue to promote cultural (including content) partnerships and support the newsroom to improve cultural diversity and awareness.

We are also working on a number of initiatives across NZME to improve representation of Māori and Pasifika, in particular through our intern programmes and with the TupuToa organisation. NZME's Māori partnership workgroup is working to raise our understanding of Māori culture and awareness and adherence to the principles of Te Tiriti o Waitangi through initiatives including a review of corporate governance documents, policies, processes, and roll out of Te Reo and cultural awareness training.

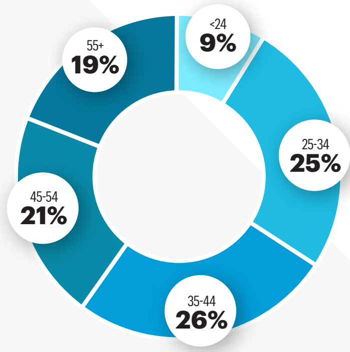
OUR PEOPLE CONTINUED

INITIATIVE	PROGRESS
PROMOTING A HEALTHY, DIVERSE AND SAFE WORKPLACE We will embed a high performing health and safety culture and will regularly report on our performance. We will strive for a collaborative and welcoming place to work that celebrates diversity. We will adopt and strengthen policies for the promotion of gender equality.	We have continued to minimise health and safety incidents in 2020 and reduced these by more than half. Please refer to page 41 for a full breakdown of incidents.
	We have increased awareness and engagement with health and safety initiatives with over 200 communications through multiple channels. This volume was primarily driven by Covid-19.
	The employee Diversity and Inclusion Committee celebrated and educated employees about Chinese New Year, Rainbow Youth, International Women's Day, Te Wiki o te Reo Māori, the Moon Festival and Diwali. NZME has maintained the Rainbow Tick certification mark (awarded to organisations that complete a diversity and inclusion assessment process).
	NZME aims to adopt policies and initiatives that have the effect of reducing the gender pay gap across the business. In 2020 we conducted a review of the gender pay gap in each area of the business and adopted actions to seek to address the gap and to address any specific gender pay issues identified. We updated our Recruitment and Selection policies and procedures to mandate equal gender representation on interview panels and to enable improved recruitment screening through our recruitment system.
	We are striving for diversity at Board, Executive and Senior Leadership Team level. We have begun by capturing our baseline reporting in 2020 by tracking gender and ethnicity at these levels. For gender, we have at Board level F60%:M40%, at Executive level F44%:M56% and at the Senior Leadership level F43%:M57%. For ethnicity, we have at Board and Executive levels all members identifying as European, at Senior Leadership level we have 89.4% European, 6.4% Māori, 2.1% Indian and 2.1% identifying as Other. We recognise that cultural and ethnic diversity needs to be improved and we have adopted and are working on a number of initiatives to seek to address this.
	NZME supports flexible working for diverse needs and/or shared responsibility in the household. Policies and initiatives in 2020 to support this include equipping and supporting people to work from home and flexibly during and post lockdown and updating the Flexible Working Policy.
CHAMPIONING THE CRAFT We will ensure we are mentoring the next generation of journalists and broadcasters. We will develop our people to maintain and grow the craft.	A total of 104 hours of media law and regulation training was undertaken by our journalists and broadcasters at NZME in 2020. In addition the Board of Directors attended a Media Law training session to assist in their knowledge and understanding of the legal issues encountered in journalism.
	20 interns and cadets were employed at NZME in 2020. NZME was voted in the Top 100 Graduate Employers in GradNewZealand's 2020 Student Survey.
	We showcased our talent through a schedule of campaigns. For example, we ran a campaign to showcase the NZ Herald Business team in 2020.
	Refer to page 26 for our Awards list celebrating the talent and commitment of our people.
EQUIPPING OUR PEOPLE We will commit to offering our staff relevant and impactful training to create new opportunities for growth and innovation.	Our people undertook a total of 8,763 hours of training in 2020 including the Editorial Learning and Development programme, health and safety training, creative and production training, people training (leadership, effective communication and recruitment for example) digital and sales operation training. In 2020 we were awarded an INMA (International News Media Association) Award for "The People Programme", our Editorial Learning and Development Programme.

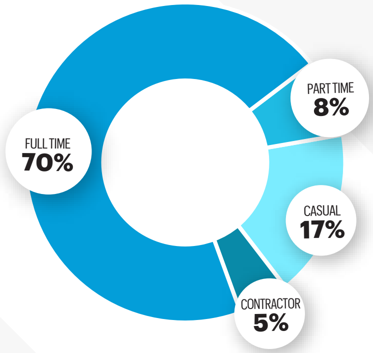
GENDER / LEVEL



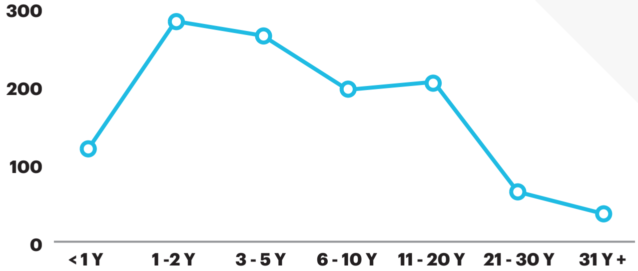
AGE GROUP



CONTRACT TYPE

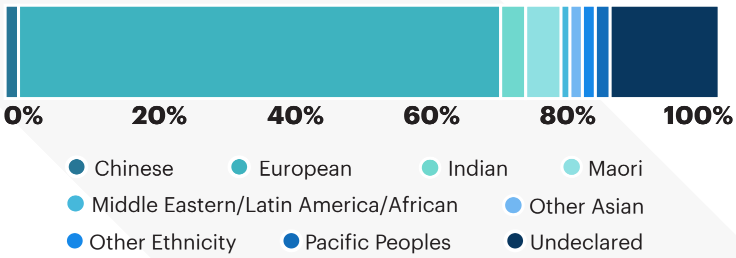


LENGTH OF SERVICE



ETHNICITY

The survey method has been modified in 2020 to capture more than one ethnicity per person.



OUR ENVIRONMENT

Case Study: The Government's Our Atmosphere and Climate 2020 Report revealed a rapidly transforming New Zealand. NZ Herald Science Reporter, Jamie Morton looked at the five most glaring facts.

We take our responsibility to the environment seriously.

NZME continues to review the actual and potential impact its business practices have on the environment. NZME has put in place policies and methods to enable it to measure this impact. This has, and will continue to, enable NZME to reduce environmental impacts through recycling, reduction of greenhouse gas ('GHG') emissions and sustainable procurement policies.

Some of our environmental initiatives were positively impacted by Covid-19 lockdowns (for example, less travel) and NZME will need to be vigilant to ensure these gains can be maintained.

One of the focus areas for NZME in 2020 was recycling (particularly of our batteries, ink and cartridges), internally championing Recycling Week and Plastic Free July and the evolution of our Responsible Sourcing Policy.

Kiwis' concern over environmental issues continued to increase in 2020 and as a media organisation we understood our responsibility to demonstrate leadership in this space, to share our platforms to raise community awareness and ask the questions that mattered.

We intend to continue the progress we have made in 2021.

Case Study: Covering Climate Now: NZ Herald Science Reporter Jamie Morton, asked a number of experts 'what can we do that we aren't already doing?'

INITIATIVE		PROGRESS
RECYCLING	We will separate our internal waste streams – including paper, food and green waste, and recyclables – to optimise value and reduce environmental impacts.	Recycling facilities and initiatives in place through major offices with training and support offered.
		The Ellerslie print plant has launched a Plastic Reduction Project across both its production and distribution teams, to reduce plastic usage of 47t in 2020. This is a phased project which is expected to lead to a decline in plastic used in the production process in the future.
		A Waste Committee chaired by the Ellerslie Plant's General Manager has been formed to reduce the 37t of general waste removed from the print plant in 2020. This Committee is tasked with a number of actions to ensure an annual decline in general waste from the plant.
BEST PRACTICE	We will maintain our print operation's Environmental Management System. We will collaborate with our suppliers and partners to ensure best practice sustainable operations.	NZME's print operations were again awarded the Toitu Enviromark Gold certificate in 2020.
		We are evolving a responsible sourcing policy and work with a number of sustainable suppliers, for example: Orix, NZ Post, Air NZ, Norske and OfficeMax.
		Employees travelled 3,425,769 kms within NZ in 2020.
		In 2020 carbon emissions from our motor vehicle fleet were 544 tCO_2e.
		Our newspaper distribution network generated 2,754 tCO_2e in 2020.
RESPONSIBILITY	We will share our platform to promote environmental issues impacting Kiwis including carbon emissions and climate change.	The NZ Herald continued to take part in the annual Covering Climate Now – a global news media initiative highlighting the need for action against climate change. Refer to example on page 24.
		As part of the NZ Herald's election coverage, environmental issues were highlighted including the different environmental policies of the political parties. NZME journalists comprehensively covered the Government's major report on climate impacts on NZ.

The numbers in this table have not been independently audited.

Kiwis' concern over environmental issues continued to increase in 2020 and as a media organisation we understood our responsibility to demonstrate leadership in this space.

2020 AWARDS

We are proud of our people and their achievements. In 2020 we celebrated the craft of broadcasting and journalism with the following award wins:

The Voyager Media Awards

Categories won by NZ Herald / nzherald.co.nz:

Website of The Year

Best News Website or App

Best Innovation in Digital Storytelling

Voyager Newspaper of the Year

Newspaper of the Year (more than 30,000 circulation)

Political Journalist of the Year

Reporting – social issues, including health and education

Photographer of the Year

Feature Writer of the Year: short form (up to 3500 words)

Feature Writing: general – (Joint winner)

Regional Journalism Scholarship – (Joint winner)

NIB Health Journalism Scholarship: Senior

NIB Health Journalism Scholarship: Junior

Best Interview or Profile

New Zealand Radio Awards

Categories won by NZME:

Best Commercial Campaign – Joint Winner

Best Client Promotion/Activation

Best Sports Story – Team Coverage

Best Sports Reader, Presenter or Commentator

Best Newsreader (News & Sport)

Best New Broadcaster – On-Air Joint-winner

Best New Broadcaster – Off-Air

Best Talk Presenter – Other

Best Talk Presenter – Breakfast or Drive

Best Music Host – Local

Best Music Breakfast Show – Local

Best Breakfast Show – Music Network

Best Video

Best Station Trailer

Best Station Imaging

Best Show Producer – Talk Show – Joint Winner

Best Show Producer – Music Show

Associated Craft Award

Services to Broadcasting

Outstanding Contribution to Radio

NZME was also recognised as a finalist for Best Internal Communications at the annual Public Relations Institute of New Zealand (PRINZ) Awards. NZME received an excellence award for HR Team of the Year (>500 staff) in the HRD Awards New Zealand 2021 for the support the team provided to the business during Covid-19 in 2020.

NZME was awarded Native Sales Excellence (Agency) by The Interactive Advertising Bureau of New Zealand (IAB).

As well as being recognised for the above New Zealand industry awards, NZME celebrated a significant win at the prestigious International News Media Association (INMA) Awards with Best New Initiative to Empower and Retain Talent – "The People Programme". This initiative received the additional accolade of being judged Best in Asia Pacific for a Global/National brand.

NZME also collected an honorable mention for Best Use of Print and was recognised for Best Idea to Acquire or Retain Advertising Clients (OneRoof) and Best New Initiative to Enhance Corporate Culture. NZME was also recognised on the 30 Under 30 Award list.

Mike Hosking,
NewstalkZB
Breakfast Show host

THE NZME BOARD

Barbara Chapman

Independent Chairman

Barbara Chapman served as Chief Executive and Managing Director of ASB Bank Limited from 2011 until February 2018. She has extensive business experience gained through a successful career in banking and insurance. During her career she has held a number of senior and executive roles in retail banking, marketing, communications, human resources and life insurance. Barbara is passionate about people and culture, and promoting best practice in community, governance and sustainability. She is the Chairman of Genesis Energy Limited and holds an independent directorship on the board of Fletcher Building Limited. She is also Deputy Chair of The New Zealand Initiative, Patron of the New Zealand Rainbow Tick Excellence Awards, Chair of the CEO Summit Committee for APEC 2021 and holds a seat on the Reserve Bank Act Review Panel. Barbara was appointed Chairman of the NZME Board in June 2020.

Carol Campbell
Independent Director

Carol Campbell is a Chartered Accountant and Fellow of CAANZ, and Chartered member of the Institute of Directors. Carol was a partner at Ernst & Young for over 25 years and has been a professional director for the last 10 years. Carol has extensive financial experience and a sound understanding of efficient board governance and chairs NZME's Audit and Risk Committee. Carol is a director of NZ Post Limited, Kiwibank Limited, T&G Global Limited, Asset Plus Limited, Chubb Insurance Limited and a number of other private companies.

David Gibson
Independent Director

David Gibson has a strong background in strategy and finance with over 20 years investment banking experience, including as Co-Head of Investment Banking in New Zealand for Deutsche Bank and Deutsche Craigs. During his finance career David has advised on many of New Zealand's largest capital market transactions, including within the media industry. David is director of Trustpower Limited, Goodman (NZ) Limited and Rangatira Limited. He is also a trustee for Diocesan School for Girls and has recently launched an e-commerce start-up Sidehustle Ecommerce Limited.

Sussan Turner
Independent Director

For the past 25 years Sussan has held senior leadership roles across media companies, including Group CEO of MediaWorks, Managing Director of Radio Otago and CEO of RadioWorks. She is currently Group CEO and Director of Aspire2 Group Limited, one of the leading private tertiary education groups in New Zealand and is passionate about building executive teams and company cultures. Sussan has extensive experience as a director and is currently Pro-chancellor of Auckland University of Technology and Co-Chair of Organic Initiative Limited.

Guy Horrocks
Independent Director

Guy established himself as an early pioneer of the mobile app industry co-founding the world's first commercial iPhone app company in 2007, Polar Bear Farm. He is one of a number of high powered, experienced New Zealand entrepreneurs who've built internationally successful digital enterprises – only to return to New Zealand to escape the worst of the impacts of Covid-19 on their adopted homes. With clients including Expedia, DreamWorks, HBO, OREO, CNN, Time Magazine as well as NZ Herald, Horrocks helped launch over 100 mobile apps with his award-winning mobile agency Carnival Labs, many of which were featured by Apple. Guy Horrocks has since launched a new real-time data warehouse called SOLVE. Guy was appointed as Independent Director of the NZME Board following the end of the financial year.

THE NZME EXECUTIVE TEAM

A Michael Boggs
Chief Executive Officer

Michael was appointed CEO of NZME in March 2016. Prior to that he held the Chief Financial Officer position at NZME. Michael's core focus at NZME has been to develop and implement a group wide strategy to accelerate growth across NZME's brands particularly in the areas of subscription and classified offerings, digital and video content, while ensuring the sustainable growth of the company's print and radio platforms.

Michael has extensive senior executive experience including as Chief Financial Officer at leading insurance company Tower Limited. While at Tower, Michael managed the company's multibillion-dollar assets, its Pacific Islands operations, earthquake recovery programme and the sale of Tower's life insurance, health insurance and investment management businesses. This industry leading work was recognised in 2014 when Michael was awarded CFO of the year at the annual New Zealand CFO Awards. Michael also has significant background in the telecommunications and technology sectors with executive roles in the finance, commercial and business functions of major organisations including Telstra's New Zealand operations.

B David Mackrell
Chief Financial Officer

David was appointed Chief Financial Officer of NZME in March 2019, leading NZME's Finance, Technology and Strategy functions. He moved to NZME from Heartland Bank where he was their Chief Financial Officer.

David started his professional career at Ernst & Young as an Auditor before joining Air New Zealand in 1992. His career at Air New Zealand spanned 25 years and a large gamut of senior financial and commercial roles, finishing with the company as Deputy Chief Financial Officer.

C Paul Maher
Chief of OneRoof

Paul was appointed to the newly created Chief of OneRoof role in February 2021. OneRoof is New Zealand's fastest growing multi-channel real estate and property platform and Paul's appointment reflects the continued growth of OneRoof as a key pillar in NZME's strategy.

Paul has extensive commercial leadership experience in numerous senior roles in New Zealand's leading media companies including Commercial Director and Business Strategy Director at TVNZ and Chief Executive of MediaWorks Television. His commercial media experience includes establishing media communications agency Starcom MediaVest Group in New Zealand and leading the group's business as CEO of Canada, China and then the North Asia region.

Paul has over thirty years business experience and has previously served on the board of Freeview New Zealand and Chair of the Kiwi Premium Media Exchange (KPEX) and Think TV New Zealand.

D Katie Mills
Chief Marketing Officer

Katie joined the NZME Executive Team in December 2018 assuming leadership of the company's Marketing and Communications functions. She is also responsible for the creative function of NZME including Sound, Vision and Creative departments. Prior to joining NZME, Katie held the role of Group Marketing Director at Aspire2 Group Limited and was previously General Manager (Global) Marketing & Communications at Opus International Consultants.

Along with Katie's wide marketing industry experience, she also brings to her role, more than 20 years of media-specific experience. 15 of those years were spent at MediaWorks in senior leadership positions including as Head of Marketing, successfully developing and delivering marketing and brand strategies for a portfolio of radio, digital, event and television ventures.

E Wendy Palmer
Chief Radio and Commercial Officer

Wendy joined the NZME Executive Team in November 2019. As Chief Radio and Commercial Officer, she is accountable for revenue growth with the Commercial Direct team across all NZME platforms. Wendy's role includes responsibility for the radio business and the content delivery to support audience and revenue growth across NZME's radio networks. Before starting at NZME Wendy spent 12 years at MediaWorks, where she held senior roles including being appointed Chief Executive of its radio business in 2014.

Wendy is an experienced broadcast media executive with wide industry experience. She has served as Chair of The Radio Bureau and as a Board member of the Radio Broadcasters Association and the Broadcasting Standards Authority.

F Matthew Wilson
Chief Operations Officer

Matt was appointed Chief Operations Officer in December 2016. In this role, Matt is responsible for NZME's print product performance; driving NZME's Operations functions including print, distribution, print and digital subscriptions and advertising production. Prior to that, Matt's role was GM Print Operations for NZME.

His passion for media has resulted in over two decades of experience working across NZME's newspaper brands, including finance roles in print, commercial, content and corporate through to leading the Newspaper Sales, Print and Herald product functions. During his time, Matt has led the consolidation of newspaper sales and distribution functions across NZME, the development of NZME's highly successful distribution services business, and customer streams for the launch of Herald on Sunday and NZH Premium digital subscribers. Matt's focus on operating performance has driven a strong passion for NZME's people, their engagement and the culture fostered in the company.

G Allison Whitney
General Counsel and Company Secretary

Allison joined NZME in 2013. As General Counsel she heads up the legal team and manages the provision of legal advice and company secretarial services across NZME; and leading NZME's Culture & Performance function. Prior to commencing her role at NZME, Allison held roles both in-house and in private practice, including five years as Legal Counsel at Westpac, six years as Group Legal Advisor to a London-based international media group and three years in private practice at Kensington Swan.

Allison brings over 20 years of legal experience to her role spanning areas from corporate and commercial to intellectual property, consumer and media law.

H Laura Maxwell
Chief Digital Officer

Laura was appointed Chief Digital Officer in August 2017 and is responsible for growing the digital business, including enterprise responsibility for digital products and development, data, digital customer and digital revenue. The role also includes responsibility for DRIVEN and GrabOne. Until 2021, Laura led the OneRoof business, creating NZ's fastest growing property portal.

Laura joined NZME in 2013 as Commercial Director at The Radio Network, moving in 2014 to APN Group Director Digital Media. In 2015, Laura was appointed Group Revenue Director, which transitioned to Chief Commercial Officer as part of the NZME transformation. Prior to joining the NZME group, Laura held the position of General Manager for Yahoo! New Zealand and previously held the role of Sales Director at APN Outdoor. Laura has over 25 years of experience in media and has held Chair roles for the Interactive Advertising Bureau and The Radio Bureau.

I Paul Hancox
Chief Revenue Officer

Paul joined the NZME Executive Team as Chief Revenue Officer in 2019. In this role Paul is accountable for agency and key customer revenues, including programmatic, trading and integration performance. Prior to joining the NZME Executive team, Paul led a significant commercial portfolio at NZME as Head of Agency, Enterprise, Events, Partnerships, Government and Rural, a role he took up in January 2018.

Prior to this, Paul spent nine years in various senior roles at MediaWorks including as Group Head of Revenue where he successfully designed, implemented and managed the integration of the TV and radio sales teams. Paul brings with him 25 years of experience in the media industry including a nine-year stint with The Radio Network early in his career, operating in a variety of roles including as NewstalkZB and Radio Sport Sales and Marketing Manager.

J Shayne Currie
Managing Editor

Shayne has been a journalist for 32 years, a career that has spanned frontline and senior newsroom roles from New Zealand to New York. As NZME's Managing Editor since 2015, he is responsible for the company's almost 300 editorial staff, in a role that includes overseeing the unrivalled mix of digital, audio, visual and print storytelling across the NZ Herald, nzherald.co.nz, Newstalk ZB, and NZME's five regional daily newspapers.

Shayne has helped lead some of the company's biggest projects including the launch of the Herald on Sunday, the NZ Herald's move to compact format and, in 2019, the launch of NZ Herald Premium digital subscriptions. Shayne sits on the board of the News Publishers Association, helping represent the industry on matters such as media regulation and public interest journalism. He was awarded the 2016 Wolfson Scholarship at Cambridge University, studying audience patterns in the digital age.

CORPORATE GOVERNANCE

GOVERNANCE FRAMEWORK

The Company is listed on the NZX Main Board and has a Foreign Exempt Listing on the ASX (both under the ticker code "NZM"). The ASX Foreign Exempt Listing category is based on a principle of substituted compliance recognising that, for secondary listings, the primary regulatory role and oversight rests with the home exchange and the supervisory regulator in that jurisdiction. As such, NZME is required to comply with a limited set of ASX Listing Rules.

The Company's corporate governance framework, as described in this section, therefore primarily takes into consideration contemporary standards in New Zealand, incorporating the NZX Corporate Governance Code ("NZX Code").

The Group is committed to having a strong governance framework and therefore complies with the recommendations of the NZX Code (unless specifically stated otherwise). The corporate governance policies referred to in this section reflect the Group's governance framework as at 31 December 2020 (unless otherwise stated) and are available on the Company's website. The Board of NZME has approved this corporate governance statement.

PRINCIPLE 1 - CODE OF ETHICAL BEHAVIOUR

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

Code of Conduct & Ethics

The Company's Code of Conduct & Ethics governs the Company and its subsidiaries' commercial operations and the conduct of directors, employees, consultants and all other people when they represent the Company and its subsidiaries. The Code of Conduct & Ethics comprises certain fundamental principles and demonstrates the high standards of conduct expected of us. The current Code of Conduct & Ethics was updated on 11 April 2019. Reporting of breaches of the Code is encouraged and steps for doing so are set out in the Code of Conduct & Ethics and the Whistleblower Policy.

The Company has provided training on the Code of Conduct & Ethics in the form of a video series on key points relevant to employees.

The Company also has an Editorial Code of Ethics highlighting that our principal responsibilities are to the community and the truth and our undertaking to maintain the highest ethical standards in our journalism while balancing the right of the individual with the public's right to know.

Securities Trading Policy

The Securities Trading Policy details the Company's trading policy and guidelines, including trading restrictions on dealing in the Company's quoted financial products. This policy applies to the directors and all employees. The Securities Trading Policy places additional trading restrictions on the directors, the Chief Executive Officer ("CEO") and his direct reports (and employees reporting directly to them) and all participants in the NZME Long Term Incentive Plan.

PRINCIPLE 2 - BOARD COMPOSITION & PERFORMANCE

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

Role of the Board and Board Charter

The business and affairs of the Company is managed under the direction and supervision of the Board currently comprised of independent Chairman, Barbara Chapman, and independent directors; Carol Campbell, David Gibson, Sussan Turner and Guy Horrocks (appointed 8 February 2021). Peter Cullinane resigned as Chair and director on 11 June 2020.

The directors acknowledge their duty to act in good faith and in the best interests of the Company. The objective of the Company is to generate growth, corporate profit and shareholder gain from the activities of the Group. In pursuing this objective, the role of the Board is to assume accountability for the success of the Company by taking overall responsibility for the strategic direction and monitoring of operational management of the

Group in accordance with good corporate governance principles. More details regarding the main functions of the Board and the distinction from the roles of management can be found in the Board Charter available on the Company's website.

Director Nomination and Appointment

Directors are appointed by the Company's shareholders, with rotation and retirement being determined by the Constitution. The Board may appoint directors to fill casual vacancies. Directors appointed to fill casual vacancies are required to retire and stand for election at the first annual shareholders' meeting after their appointment. The Governance & Remuneration Committee recommends to the Board potential candidates for appointment as directors. The Committee follows the nomination and appointment processes set out in the Governance & Remuneration Committee Charter available on the Company's website. The Company enters into written agreements with each newly appointed director establishing the terms of their appointment.

Director Independence and Profiles

All of the Company's directors, including the Chair, are independent directors for the purposes of the NZX Listing Rules as none of them are executives of the Company or have direct or indirect interests or relationships that could reasonably influence, or could reasonably be perceived to influence, in a material way, their decisions in relation to the Company. The profile for each director is available on the Company's website and on page 28-29 of the Annual Report. Information about director attendance at meetings and ownership interests is set out on pages 35 and 44 of the Annual Report.

Diversity and Inclusion

The Group believes that a diverse and inclusive workforce is essential for it to be able to deliver its strategic objectives and continue to meet its responsibilities to its customers, its employees, the communities in which it works, and its shareholders.

The Group is currently operating in accordance with, and applying the principles of, its Diversity and Inclusion Policy which is available on the Company's website.

The Our People section on page 21 of the Annual Report sets out more detail about our diversity and inclusion objectives and progress towards achieving them. In accordance with the Diversity and Inclusion Policy, the Board assesses those objectives and NZME's progress towards achieving them on an annual basis. The Board is comfortable with the Company's 2020 performance with respect to its Diversity and Inclusion Policy and objectives but notes the ongoing nature of efforts to meet those objectives.

The table below includes the quantitative breakdown as to the gender composition of NZME's Board and Officers as at the balance date. Since the balance date Guy Horrocks has been appointed as an independent director of the Company (with effect from 8 February 2021) and Paul Maher has joined the NZME Executive Team as Chief of OneRoof (with effect from 2 February 2021).

As at	Board		Officers [1]	
	Male	Female	Male	Female
31 December 2020	1	3	5	4
31 December 2019	2	3	5	4

[1] The term 'Officer' is defined in the NZX Listing Rules as a person, however designated, who is concerned or takes part in the management of the Issuer's business, but excludes (i) a person who does not report directly to the Board or (ii) a person who does not report directly to a person who reports to the Board. NZME has interpreted this to mean the Chief Executive and any person reporting to the Chief Executive or the Board directly. The numbers above therefore include the CEO and other members of the Group Executive Team.

CORPORATE GOVERNANCE

CONTINUED

Director Access to Training, Information and Advice

On appointment the Company's directors are offered induction training as to the responsibilities of the directors and to enable the director to become familiar with the Company's operations and sites. Further training on pertinent topics is provided to the Board during the year. All directors have access to the advice and assistance of the General Counsel on the Board's affairs and governance matters. In addition, all directors may access such information and seek independent advice as they consider necessary to fulfil their duties and responsibilities.

Performance Review

The Chair meets annually with directors of the Company to discuss individual performance of directors. The Board reviews its performance as a whole, and the performance of its committees, on an annual basis. The Board may choose to use external facilitators, where appropriate, to assist with reviewing the performance of directors, the Board and its committees.

PRINCIPLE 3 - BOARD COMMITTEES

The Board should use committees where this will enhance its effectiveness in key areas, while retaining Board responsibility.

The Board has two standing Committees; the Audit & Risk Committee and the Governance & Remuneration Committee, to assist in carrying out its responsibilities. The Board dissolved the Corporate Social Responsibility Committee in July 2020 given NZME has now launched its Sustainability Commitment (details of which are available in this report and on the Company's website) and that commitment is now overseen by the Board as a whole.

The Committees operate under Board approved charters which are available on the Company's website.

The Board may establish other committees from time to time to deal with specific projects or matters relating to the Company's various activities.

The Board does not have a separate Health and Safety Committee, but Health and Safety is considered by the full Board. The Board did not identify a need for any other standing Board committees.

The Company also has an NZME Takeover Response Manual (not publicly available) as recommended by Recommendation 3.6 of the NZX Code.

Audit & Risk Committee

The Committee consists of three independent directors (one of whom has an accounting and financial background). The functions of the Committee are to:

- Review, consider and if necessary, investigate any reports or findings arising from any audit function either internally or externally;
- Evaluate financial information submitted to it, along with relevant policies and procedures; and
- Assess the effectiveness of risk management throughout the Group.

The Committee is also responsible for communicating and engaging with the external auditors and for oversight and review of the risk management framework. For further information, also refer to the Committee's charter which is available on the Company's website.

As at 31 December 2020, directors Barbara Chapman and David Gibson were members of the Audit & Risk Committee and it was chaired by Carol Campbell. Employees and external parties may attend meetings of the Audit & Risk Committee at the invitation of the Audit & Risk Committee.

Governance & Remuneration Committee

The Governance & Remuneration Committee ensures that remuneration policies and practices are consistent with the strategic goals of the Group and are relevant to the achievement of those goals. The Committee also reviews the remuneration of the CEO and, in consultation with the CEO, the remuneration packages of executives reporting directly to the CEO.

The Governance & Remuneration Committee also makes recommendations to the full Board regarding the composition of the Board, filling of vacancies, appointing additional directors to the Board, and to review and adopt corporate governance policies and practices which reflect contemporary standards in New Zealand, incorporating principles and guidelines issued by the Financial Markets Authority and the NZX. For further information, refer to the Committee's charter available on the Company's website.

As at 31 December 2020, director Sussan Turner was a member of the Governance & Remuneration Committee and it was chaired by David Gibson. Employees and external parties may attend meetings of the Governance & Remuneration Committee at the invitation of the Governance & Remuneration Committee.

Board & Committee Attendance 1 January 2020 to 31 December 2020[1]

Director	Board	Audit & Risk	Governance & Remuneration	Corporate Social Responsibility (dissolved July 2020)
Barbara Chapman	20 of 20	4 of 4	N/A	2 of 2
Carol Campbell	20 of 20	4 of 4	N/A	N/A
David Gibson	20 of 20	4 of 4	10 of 10	N/A
Sussan Turner	20 of 20	N/A	10 of 10	2 of 2
Peter Cullinane[2]	15 of 15	N/A	2 of 2	

[1] These numbers do not include attendances at Committee meetings by non-member Directors.[2] Peter Cullinane resigned on 11 June 2020.

PRINCIPLE 4 - REPORTING & DISCLOSURE

The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

Market Disclosure Policy

The Board has policies and procedures in place to keep investors and staff informed of material information about the Company and to ensure compliance with the continuous disclosure obligations under the Financial Markets Conduct Act 2013 and the NZX Listing Rules.

The Market Disclosure Policy (available on the Company's website) is designed to ensure that:

- There is full and timely disclosure of the Company's activities and price sensitive information to shareholders and the market; and
- All stakeholders (including shareholders, the market and other interested parties) have an equal opportunity to receive and obtain externally available information issued by the Company.

The Company will immediately notify the market of any material information concerning the Company in accordance with legislative and regulatory disclosure requirements.

Corporate governance documents

The following documents have been adopted by the Company and are available on the Company's website under the Corporate Governance section:

- NZME Constitution
- Board Charter
- Code of Conduct & Ethics
- Remuneration Policy
- Diversity and Inclusion Policy
- Editorial Code of Ethics
- Fraud Policy
- Market Disclosure Policy
- Whistleblower Policy
- Securities Trading Policy
- Audit & Risk Committee Charter
- Governance & Remuneration Committee Charter
- Risk Management Policy

CORPORATE GOVERNANCE

CONTINUED

Financial Reporting and Disclosure

The Company is committed to providing financial reporting that is balanced, clear and objective. The Audit & Risk Committee oversees the quality, integrity and timeliness of external reporting. The Group's Consolidated Financial Statements for the year ended 31 December 2020 are set out on pages 48 to 98 of the Annual Report. Also refer to the reports from the Chair and the CEO in this Annual Report and the NZME Full Year 2020 Results Presentation (available on the Company's website) for additional information.

Non-Financial Reporting and Disclosure

The Company provides non-financial disclosures relating to Health and Safety, Risk Management, our interaction with our communities, people and our environment – see our Sustainability Commitment. We also include information about our performance against our operational priorities during the year.

NZME's Sustainability Commitment aligns with the UN Sustainability Development Goals – an international blueprint to achieve a better and more sustainable future for everyone. Combined with our promise to keep Kiwis in the know, NZME's commitment to sustainable practices contributes to the prosperity of our business and our communities, people and the environment.

In 2020 we measured our progress against key initiatives and objectives for each of the three pillars of our Sustainability Commitment: Our Communities, Our People and Our Environment. This is discussed on pages 18 to 25 of the Annual Report.

NZME intends to continue to develop its Sustainability Commitment with the guidance of the Board.

PRINCIPLE 5 - REMUNERATION

The remuneration of directors and executives should be transparent, fair and reasonable.

Remuneration Policy

The Company's Remuneration Policy (available on its website) outlines the Company's approach to the remuneration of its directors and executives. The Governance & Remuneration Committee is responsible for reviewing non-executive directors' remuneration and benefits. The pool available to be paid to non-executive directors is subject to shareholder approval. The levels of fixed fees payable to non-executive directors should reflect the time commitment and responsibilities of the role. The Governance & Remuneration Committee will obtain independent advice, as necessary, and will also consider the results of market comparison and a benchmarking assessment in setting the fixed fees payable to non-executive directors.

While the Company does not pay equity-based remuneration to its non-executive directors, it encourages those directors to hold shares in the Company to better align their interests with the interests of other shareholders.

The Governance & Remuneration Committee is also responsible for reviewing the remuneration of the CEO and any executive directors and, in consultation with the CEO, the remuneration packages of executives reporting directly to the CEO. The Company conducts external benchmarking analysis in order to determine the market rate for a role. The Company provides a combination of cash and non-cash benefits and takes a total remuneration approach. The Company reviews remuneration with the objective of achieving pay equity, including by gender.

Directors' Remuneration

The fees paid to each director depends on the duties of the director, including committee work. Current fees per annum are as follows:

	Fees ($)
Chairman of the NZME Board	150,000
Membership of the NZME Board	100,000
Chairman of NZME Board Committees	20,000
Membership of NZME Board Committees	10,000

Total fees paid to each director during 2020, reflecting the reduction taken in response to Covid-19, are shown in the following table:

	Date appointed	Date resigned	Chairman of the Board ($)	Board Member ($)	Committee Chair ($)	Committee Member ($)	Total ($)
Barbara Chapman	18 April 2018		76,315	44,288	8,880	9,429	138,912
Carol Campbell	24 June 2016			94,288	18,858		113,145
David Gibson	8 December 2017			94,290	18,858	9,429	122,577
Sussan Turner	16 July 2018			94,288		13,869	108,157
Peter Cullinane	24 June 2016	11 June 2020	66,432			8,858	75,289
Total fees paid 2020							**558,080**

Chief Executive Officer's Remuneration

	Salary ($) [A]	Bonus ($) [B]	TIP ($) [C]	Benefits ($) [D]	Total ($)
Michael Boggs	852,979	308,968	579,416	34,858	1,776,221

[A] Salary includes normal basic salary and paid leave. 2020 also includes an extra pay period due to timing of pay cycles. [B] Bonus payments are those paid during the current accounting period and excludes any bonus accrual not yet paid. [C] TIP relates to the value of shares issued under the Group's Total Incentive Plan in relation to the 2017 scheme. [D] Benefits relate to company contributions for KiwiSaver.

Michael Boggs held 1,079,866 shares in the company as at 31 December 2020. In addition to the remuneration disclosed above as at 24 February 2020, Michael Boggs held 613,031 performance rights issued to him under the Group's Total Incentive Plan ("TIP"). Please refer to note 4.3 of the Consolidated Financial Statements for a summary of the TIP and the performance criteria used to determine performance based payments.

CORPORATE GOVERNANCE

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Employee Remuneration

The Group paid remuneration including benefits in excess of $100,000 to employees (other than directors) during the year ended 31 December 2020. The salary banding for these employees are disclosed in the following table (bands with zero number of employees have been excluded).

Remuneration Amount	Employees	Remuneration Amount	Employees
$100,000 - $110,000	69	$280,001 - $290,000	3
$110,001 - $120,000	59	$290,001 - $300,000	5
$120,001 - $130,000	51	$320,001 - $330,000	1
$130,001 - $140,000	44	$330,001 - $340,000	1
$140,001 - $150,000	36	$370,001 - $380,000	1
$150,001 - $160,000	25	$390,001 - $400,000	1
$160,001 - $170,000	19	$400,001 - $410,000	2
$170,001 - $180,000	11	$410,001 - $420,000	2
$180,001 - $190,000	7	$430,001 - $440,000	1
$190,001 - $200,000	16	$450,001 - $460,000	2
$200,001 - $210,000	14	$460,001 - $470,000	2
$210,001 - $220,000	12	$490,001 - $500,000	1
$220,001 - $230,000	8	$520,001 - $530,000	1
$230,001 - $240,000	4	$530,001 - $540,000	1
$240,001 - $250,000	3	$620,001 - $630,000	1
$250,001 - $260,000	8	$790,001 - $800,000	1
$260,001 - $270,000	4	$1,770,001 - $1,780,000	1
$270,001 - $280,000	5		
Total number of employees that were paid remuneration of $100,000+			**422**

The remuneration above includes all remuneration paid to permanent employees, including fixed remuneration, employer KiwiSaver contributions, medical aid contributions, bonuses, commission, settlements and redundancies. Of the 422 employees paid in excess of $100,000, 46 left NZME during the year.

PRINCIPLE 6 - RISK MANAGEMENT

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

Risk Management Framework

The Audit & Risk Committee is responsible for the oversight and independent review of the Group's risk management framework, including:

- Review and approval of the risk management policy;
- Receiving and considering reports on risk management;
- Assessing the effectiveness of the Group's responses to risk; and
- Providing the Board with regular reports on risk management.

The Group has a formal Risk Management Policy (available on its website) and is committed to the consistent, proactive and effective monitoring and management of risk throughout the organisation, in accordance with best practice and the NZME Risk Management Framework and Guidelines.

The Board is ultimately responsible for the effectiveness, oversight and implementation of the Group's approach to risk management.

The Audit & Risk Committee is responsible for the oversight and independent review of the Company's Risk Management Framework and Guidelines, and assisting the Board to discharge its oversight responsibility for risk management.

The CEO is responsible for:

- The management of strategic, operational and financial risk of the Group;
- Continually monitoring the Group's progress against financial and operational performance targets;
- The day-to-day identification, assessment and management of risks applicable to the Group;
- Implementation of risk management controls, processes and policies and procedures appropriate for the Group;
- Driving a culture of risk management throughout the Group.

The Company's Risk Committee (a management committee) acts as a governance forum to assist the CEO and the Executive Team in fulfilling their corporate governance responsibilities. This committee provides assurance that the following aspects are managed appropriately:

- Strategic and operational risk management;
- Workplace Health and Safety matters;
- Legal, regulatory and policy compliance;
- Technology and security matters;
- Business continuity planning.

The Group is a diversified media company and is subject to diverse types of risk including, but not limited to cyber security, legal and regulatory compliance, financial and market, government policy and political, reputation and brand, operational risks and trading conditions.

The Group recognises that in order to achieve its strategic objectives it must be willing to take and accept informed risks. Risks relating to innovation, attracting and retaining talent, and content to drive audiences and address the needs of advertisers are encouraged within defined parameters. However, in doing so, it is not acceptable to trade off financial or strategic returns by compromising compliance with the law, the safety of our people, or our reputation as a responsible corporate citizen and provider of news, sport and entertainment.

When setting the appetite for taking and accepting risk, the Group also considers the risk posed by inaction in what is a fast-paced and disrupted market.

The Group's approach to risk management is assessed at least annually by the Audit & Risk Committee of the Board in order to make a recommendation to the full Board on the appropriateness of the Company's Risk Management Framework and Guidelines.

For additional information on financial risks, please also refer to Note 4.7 of the Consolidated Financial Statements.

CORPORATE GOVERNANCE

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Health and Safety

The NZME Board Charter states that the role of the Board includes ensuring that the Group Health and Safety and environmental practices and culture comply with legal requirements, reflects best practice and are recognised by employees and contractors as key priorities for the Group. As noted earlier, NZME does not have a separate Board-level Health and Safety Committee as Health and Safety is dealt with by the full Board.

Health and Safety is included on the Company's Risk Register. The Company's Annual Health and Safety Plan captures the projects and objectives for the year to respond to the identified risks.

The Company records and monitors critical Health and Safety risks in a separate Health and Safety Risk Register. Currently that register is reviewed and monitored by the Risk Committee, who meet monthly and receive and review reporting on Health and Safety performance, trends and updates, with key matters and progress against the annual plan being reported to the Board. In 2020, areas of focus included, managing the risk associated with the Covid-19 pandemic, engaging leaders in health and safety, introducing digital safety technology into the print site, installing GPS into vehicles to promote safer driving, and mitigating risks associated with lone workers and harmful digital content.

The Company intends to build on the effectiveness of health, safety and wellbeing across the business, by following the following five key priorities over 2021 – 2022:

1. Leaders will be provided with skills and support systems to actively be involved in contributing to the health, safety and wellbeing of the business. ***Proactive Safety Leadership***

2. With the introduction of a new safety check application, there will be greater oversight of safety management across all sites. ***Consistency Across Sites***

3. To build on safety excellence within the Print Plant, there will be a shift to moving all safety paper-based systems to digital. ***Print Safety Excellence***

4. GPS will continue to be installed in pool and promotional vehicles and dangerous driving events will be followed up and addressed. ***Proactive Vehicle Safety***

5. We will continue to build an environment where staff feel confident to speak up if they're struggling personally or professionally and get the support they need. ***Mental Health Prevention and Support***

Health and Safety advice and direction are overseen by the Culture and Performance team and a full-time Health, Safety and Compliance Manager. The Company utilises the online safety management system "Vault" as the framework for how safety is managed within the business. Vault is used for incident reporting, contractor management, hazard and risk management, management of hazardous substances, risk monitoring and reporting.

Worker engagement and involvement is recognised as an important part of growing a positive workplace health and safety culture. At NZME, being actively involved in and contributing to Health and Safety is included in the GuideMe performance review template as a KPI for all employees and reviewed as part of the performance review process. Health and Safety training forms part of induction and ongoing training schedules to ensure awareness of NZME's health and safety obligations, critical risks and the resources available to satisfy these. NZME maintains a Wellness and Safety page on its intranet with sections for safety at NZME (which includes training manuals, emergency procedures and safety induction documents) and a Wellness section (which includes information about our Employee Assistance Programme, wellness videos and wellness success stories).

To ensure effective worker involvement, NZME has multiple Health and Safety Committees in place across New Zealand that actively contribute to the management of risk and the effectiveness of controls in place around the business. Health and Safety performance is communicated throughout all levels of NZME through regular leadership team meetings and internal business communications.

Embedding a high performing Health and Safety culture and regularly reporting on our performance is a key initiative forming part of our Sustainability Commitment, as reported on page 22 of this Annual Report. The table below shows NZME's year-on-year Health and Safety incident performance.

Injury type:	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2020
Lost Time Injuries	5	2
Medical Injuries	17	4
First Aid Injuries	16	11
No Treatment	10	4
Total	48	21

PRINCIPLE 7 - AUDITORS

The Board should ensure the quality and independence of the external audit process.

Refer to note 2.2.4 of the Consolidated Financial Statements for fees paid to the auditors, PricewaterhouseCoopers, for the year ended 31 December 2020.

The Audit & Risk Committee Charter requires the Committee to assess the following:

- The independence of the auditors;
- The ability of the auditors to provide additional services which may be occasionally required;
- The competency and reputation of the auditors;
- The projected audit fees; and
- Review the appointment, performance and remuneration of external auditors.

The Audit & Risk Committee also monitors and approves any services provided by the auditors other than in their statutory role and receives confirmation from the auditors as to their independence from the Company. This is undertaken on a service by service basis and assesses whether the service is permissible under Professional and Ethical Standard 1 ("PES 1") issued by the New Zealand Auditing and Assurance Standards Board, ensuring that any potential threat to independence is identified and appropriate safeguards to eliminate the threat or reduce the threat to an acceptable level are established. The Audit & Risk Committee receives an annual confirmation from the auditor as to their independence from the Group. The auditor is also required to provide the Audit & Risk Committee with a detailed analysis of fees relating to non-audit services provided during the year, including a description of potential threats to their independence and the applicable safeguards implemented by the auditor and the Company to either mitigate those threats or reduce them to an acceptable level as required by PES 1. The Audit & Risk Committee takes the nature of the services provided, the quantum of the fee, the reason for the additional services and whether the services are likely to be one-off or repetitive in nature into consideration when evaluating and concluding on auditor independence.

For the year ended 31 December 2020, given the nature of the services provided and based on the Committee's continuous monitoring of auditor independence, the Audit & Risk Committee do not believe that the non-audit services provided by the auditors compromised their objectivity and independence.

The Company requires the external auditor to attend the Annual Shareholders' Meeting ("ASM") to answer questions from shareholders in relation to the audit. The Group's auditor, PricewaterhouseCoopers, attended the last ASM on 11 June 2020.

Internal Audit

The Audit & Risk Committee is responsible for reviewing the integrity and effectiveness of the internal audit function. NZME operates a co-sourced internal audit programme that utilises a mix of self-certifications, scheduled control testing by Group Financial Services, ad hoc assignments, investigations by risk and compliance personnel and a structured internal audit programme executed by an external firm.

CORPORATE GOVERNANCE

CONTINUED

Any reporting from external parties is presented to the Audit & Risk Committee and any significant findings from other internal activities are reported to the Audit & Risk Committee.

PRINCIPLE 8 - SHAREHOLDER RIGHTS & RELATIONS

The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

In addition to holding its Annual Shareholders' Meeting, NZME seeks to regularly engage with shareholders to ensure they are informed about our activities and our progress against our stated priorities. NZME engages an Investor Relations Manager to ensure any questions or feedback from shareholders are responded to promptly.

The NZME website has a dedicated Investor Relations section containing NZX / ASX announcements, presentations and webcasts, financial reports, frequently asked questions and other information that might be useful to our shareholders. The share registry is maintained by Link Market Services and their contact details are available under the Investor Relations section of the Company's website. Shareholders can elect to receive communications electronically.

Following each results announcement, NZME holds an investor call to present the results and to allow investors to ask questions. This is usually followed by an investor roadshow during which the CEO and other members of the Executive aim to meet with as many shareholders as possible. However, in 2020 such post-result meetings were held virtually. In 2020 NZME also held a virtual Investor Day.

Shareholders are entitled to exercise their voting rights as provided for under the applicable legislation and listing rules.

STATUTORY DISCLOSURES

INTEREST REGISTER ENTRIES

In accordance with section 211(1)(e) of the Companies Act 1993, particulars of general disclosures of interest in the Interest Register of NZME for current directors are set out in the table below. Disclosures during 2020 are noted in italics.

Director	Position	Company
Barbara Chapman	Chairman	Genesis Energy Limited
	Deputy Chair	The New Zealand Initiative
	Patron	New Zealand Rainbow Tick Excellence Awards
	Director	Fletcher Building Limited
	Member	Reserve Bank Act Review Panel
	Chairman	APEC 2021 – CEO Summit Committee
Carol Campbell	Director	T&G Global Limited
	Director	Asset Plus Limited
	Director	NZ Post Limited
	Director	Chubb Insurance New Zealand Limited
	Director	Kiwibank Limited
David Gibson	Director and shareholder	DG Advisory Limited
	Director and shareholder	Sidehustle Ecommerce Limited
	Trustee	Diocesan School for Girls
	Director	Rangatira Limited
	Director	*Biostrategy Holdings Limited*
	Director	*Trustpower Limited*
	Director	Goodman (NZ) Limited
Sussan Turner	Director and shareholder	Aspire2 Group Limited
	Co-Chair and shareholder	Organic Initiative Limited
	Pro-Chancellor	Auckland University of Technology (AUT)
Guy Horrocks	Shareholder	Solve Data, Inc.

Disclosures of Directors' interests in share transactions

During 2020, in relation to the Company's Directors, the following disclosures were made in the Interests Register by Directors as to the acquisition or relevant interests in Company shares under section 148 of the Companies Act 1993:

- Carol Campbell acquired 100,000 shares in the Company;
- Peter Cullinane (resigned 11 June 2020) acquired 200,000 shares in the Company;
- Barbara Chapman acquired 23,000 shares in the Company.

STATUTORY DISCLOSURES

CONTINUED

Directors' interests in shares

Ordinary shares held by directors and parties associated with them are as follows:

Director	Number of shares as at 31 December 2020
Barbara Chapman	73,000
Carol Campbell	150,000
David Gibson	50,000

Use of Company information

No notices have been received by the Board under section 145 of the Companies Act 1993 with regard to the use of Company information received by the Directors in their capacities as Directors of the Company or its subsidiary companies.

Indemnities or insurance effected for directors

In accordance with Section 162 of the Companies Act 1993 and the Company's Constitution, the Company has indemnified and arranged insurance for all directors and executive officers to the extent permitted by law for liabilities arising out of the performance of their normal duties as directors and officers. The total amount of insurance for directors and officers contract premiums for the period was $952,500.

SUBSIDIARY COMPANY INFORMATION

NZME's subsidiary companies are listed at Note 6.1 of the Consolidated Financial Statements.

Directors of Subsidiary Companies

As at 31 December 2020, Michael Boggs (CEO) and David Mackrell (CFO) were directors of the wholly owned subsidiaries listed in Note 6.1 of the Consolidated Financial Statements, other than NZME Australia Pty Limited. Michael Boggs and Mark O'Sullivan (a professional director resident in Australia) were directors of NZME Australia Pty Limited as at 31 December 2020. Michael Boggs, David Mackrell, Laura Maxwell (Chief Digital Officer) and Sam Yin (director representing OneRoof's minority shareholder) were directors of the subsidiary OneRoof Limited, in which an 80% interest was held, as detailed in Note 6.1 of the Consolidated Financial Statements. Other than Mark O'Sullivan who received $8,800 for his services as a director of NZME Australia Pty Limited, these directors did not receive any fees or other benefit for their services as directors to any of these companies. Michael Boggs, David Mackrell and Laura Maxwell receive remuneration as employees of the Company which are not related to their duties as directors of these companies. Peng Yin receives remuneration through his company, Hougarden.com Limited, which provides services to OneRoof Limited.

Entries in interest registers of Subsidiary Companies

For each subsidiary company in which they act as a director Michael Boggs and David Mackrell have made general disclosures of interests in all other subsidiary companies as a result of their executive positions at the Company and their positions as directors of the other subsidiary companies. Laura Maxwell has made a general disclosure of interest in the OneRoof Limited Interest Register arising from her position on the Board of Control of the Interactive Advertising Bureau of NZ Inc. Peng Yin has made a general disclosure of interest in the OneRoof Limited Interest Register arising from his position as director and shareholder of Hougarden.com Limited and Hougarden Motors Limited.

SHAREHOLDER INFORMATION

Substantial Shareholders

The following information is given pursuant to Sub-Part 5 of Part 5 of the Financial Markets Conduct Act 2013. According to notices given to the Company, the substantial product holders in the Company as at 31 December 2020 are noted below:

Shareholder	Number of shares held	% of shares held
Osmium Partners LLC	27,739,284	14.04
Auscap Asset Management Ltd.	25,620,000	12.97
Spheria Asset Management Pty Ltd	20,498,325	10.38
Forager Funds Management Pty Ltd.	16,488,767	8.35

The total number of ordinary shares issued by the Company as at 31 December 2020 was 197,570,061. The Company did not have any other quoted voting products.

Top 20 shareholders

As at 22 February 2021

Rank	Investor Name		Total Units	% Issued Capital
1	J P Morgan Nominees Australia Pty Limited		39,217,589	19.85
2	Citicorp Nominees Pty Limited		31,495,418	15.94
3	HSBC Custody Nominees (Australia) Limited		12,697,520	6.43
4	JPMORGAN Chase Bank		10,581,967	5.36
5	Accident Compensation Corporation		7,805,355	3.95
6	Bnp Paribas Nominees Pty Ltd		7,642,902	3.87
7	HSBC Nominees (New Zealand) Limited		7,450,905	3.77
8	Walling Pty Limited		7,000,000	3.54
9	HSBC Custody Nominees (Australia) Limited Gsco Eca		6,903,018	3.49
10	National Nominees Limited		4,357,223	2.21
11	FNZ Custodians Limited		4,308,975	2.18
12	Forsyth Barr Custodians Limited		4,020,558	2.04
13	Pax Pasha Pty Ltd		3,147,959	1.59
14	Merrill Lynch (Australia) Nominees Pty Limited		2,383,616	1.21
15	Leh Soon Yong		1,279,827	0.65
16	Murray Athol Osmond		1,163,404	0.59
17	Pax Pasha Pty Ltd		1,123,173	0.57
18	UBS Nominees Pty Ltd		1,082,420	0.55
19	Michael Raymond Boggs		1,079,866	0.55
20	Timothy John Eakin		1,070,138	0.54
		Total	**155,811,833**	**78.88**

STATUTORY DISCLOSURES

CONTINUED

Spread of Quoted Security Holders

As at 22 February 2021

Range of Securities Held	Holders (end)	Holders % (end)	Issued Capital (end)	Issued Capital % (end)
1-1000	3,477	66.62	881,595	0.45
1001-5000	988	18.93	2,347,661	1.19
5001-10000	262	5.02	2,005,364	1.02
10001-50000	354	6.79	8,107,547	4.10
50001-100000	55	1.05	3,917,153	1.98
Greater than 100000	83	1.59	180,310,741	91.26
Total	**5,219**	**100.00**	**197,570,061**	**100.00**

OTHER INFORMATION

Waivers from NZX

The Company did not receive any waivers from any of the NZX Listing Rules during the year.

Donations

In accordance with section 211(1)(h) of the Companies Act 1993, NZME notes that the Group made donations of $1,020 during the year ended 31 December 2020. In addition the Group provided in excess of $2.4 million of donated media placement to a range of charities.

Credit rating

As at the date of this Annual Report NZME does not have a credit rating.

Exercise of NZX disciplinary powers

For the year ended 31 December 2020, NZX did not exercise any of its disciplinary powers under Rule 9.9.3 of the NZX Listing Rules in relation to the Company.

Direct director appointments under the Company's Constitution

Rule 2.4.1 of the NZX Listing Rules allows a company to include in its Constitution a right for a product holder to appoint a director to the Board under certain circumstances. As at 31 December 2020, none of the Directors were appointed pursuant to Rule 2.4.1.


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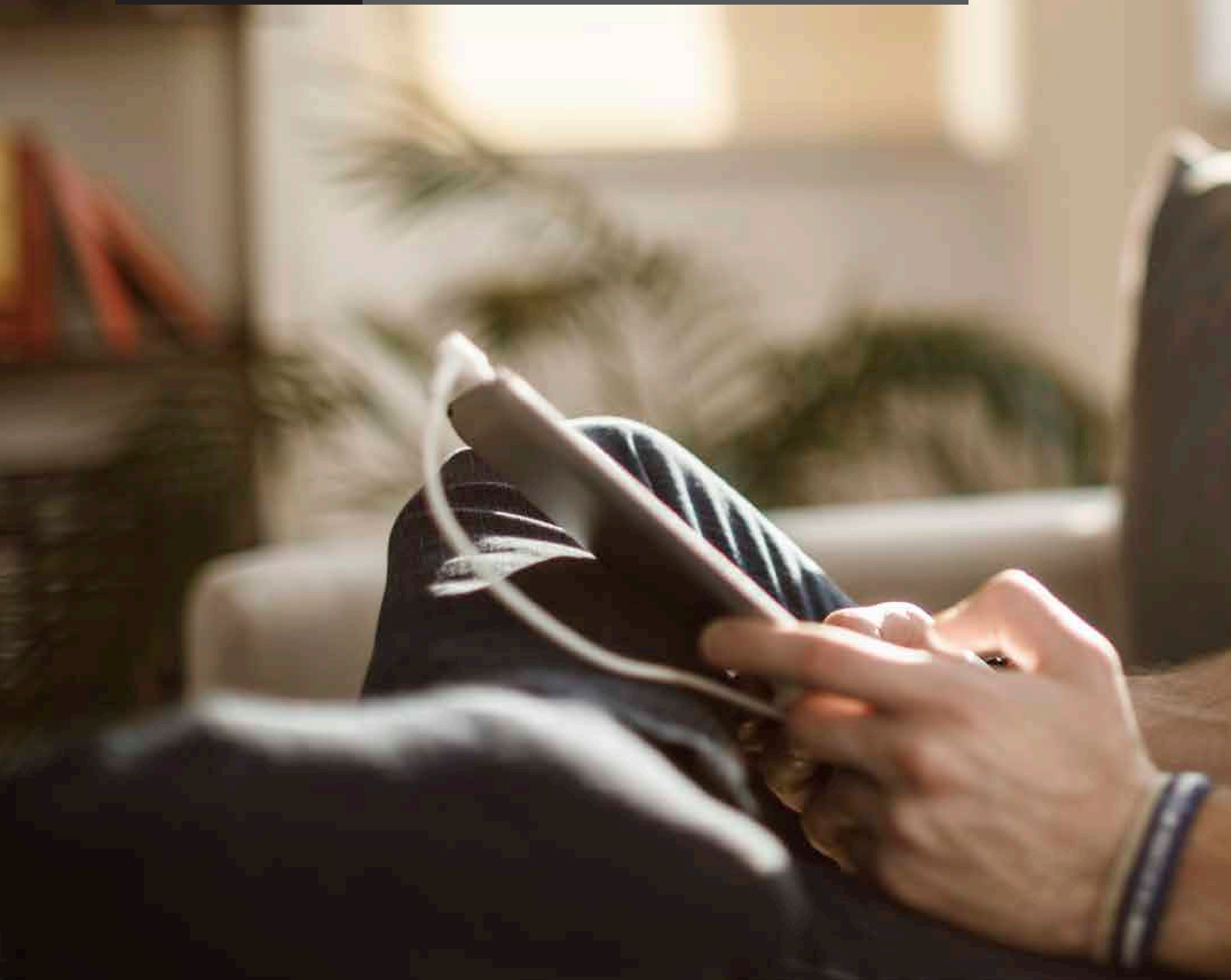
CONSOLIDATED FINANCIAL STATEMENTS

NZME LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2020



CONTENTS

* The notes to the financial statements have been grouped into nine sections; aimed at grouping items of a similar nature together. The Basis of Preparation section presents a summary of material information and general accounting policies that are necessary to understand the basis on which these consolidated financial statements have been prepared. Accounting policies specific to a particular note are included in that note and are boxed for ease of reference. Key judgments and estimates relevant to a particular note are also included in the relevant note, and are clearly marked as such. A summary of the key judgments and estimates is also included under the Basis of Preparation section on page 58.

DIRECTORS' STATEMENT

The directors are pleased to present the consolidated financial statements of NZME Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2020, incorporating the consolidated financial statements and the auditor's report.

The directors are responsible, on behalf of the Company, for presenting these consolidated financial statements in accordance with applicable New Zealand legislation and generally acceptable accounting practices in New Zealand in order to present consolidated financial statements that present fairly, in all material respects, the financial position of the Group as at 31 December 2020 and the results of the Group's operations and cash flows for the year then ended.

The consolidated financial statements for the Group as presented on pages 52 to 98 are signed on behalf of the Board of Directors, and are authorised for issue on the date below.

For and on behalf of the Board of Directors

Barbara Chapman
Chairman

Carol Campbell
Director

Date: 23 February 2021

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 $'000	2019 $'000
Revenue	2.1	**322,139**	371,079
Finance and other income	2.1	**13,061**	1,319
Total revenue and other income	2.1	**335,200**	372,398
Expenses from operations before finance costs, depreciation, amortisation	2.2.1	**(274,279)**	(315,829)
Depreciation and amortisation	2.2.2	**(30,224)**	(31,672)
Profit before finance costs, income tax and impairment of intangibles		**30,697**	24,897
Finance costs	2.2.3	**(8,253)**	(9,495)
Share of joint ventures and associates net loss after tax	6.2.2	**(417)**	-
Impairment of software	2.4.2	**(3,149)**	-
Impairment of goodwill and indefinite life brands	2.4.2	**-**	(175,000)
Profit / (loss) before income tax expense		**18,878**	(159,598)
Income tax expense	5.1	**(4,636)**	(5,574)
Net profit / (loss) after tax		**14,242**	(165,172)
Profit / (loss) for the year is attributable to:			
Owners of the Company		**14,547**	(164,665)
Non-controlling interests		**(305)**	(507)
		14,242	(165,172)

		Cents	Cents
Earnings per share attributable to the ordinary shareholders of the Company			
Basic earnings per share	2.3	**7.36**	**(83.77)**
Diluted earnings per share	2.3	**7.17**	**(82.51)**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**2020 $'000**	2019 $'000
Net profit / (loss) after tax		**14,242**	(165,172)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Effective (loss) / gain on hedging instruments	4.2	**(656)**	265
Reclassification to profit or loss	4.2	**82**	(17)
Tax impact of hedging transactions	4.2	**70**	(70)
Net (loss) / gain on hedging instruments		**(504)**	178
Net exchange differences on translation of foreign operations	4.2	**(21)**	12
Items that will not be reclassified to profit or loss			
Share of revaluation of joint ventures' and associates' assets	4.2	**1,271**	-
Other comprehensive income, net of tax		**746**	190
Total comprehensive income		**14,988**	(164,982)
Total comprehensive income attributable to:			
Owners of the Company		**15,293**	(164,475)
Non-controlling interests		**(305)**	(507)
		14,988	(164,982)

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

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2020

	Note	2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents	4.6	**11,560**	14,416
Trade and other receivables	3.5	**43,882**	52,449
Inventories	3.6	**1,480**	1,943
		56,922	68,808
Assets classified as held for sale	6.3.1	**2,165**	-
Total current assets		**59,087**	68,808
Non-current assets			
Intangible assets	3.1	**150,478**	150,263
Property, plant and equipment	3.2	**34,978**	39,902
Right-of-use assets	3.3	**85,382**	75,538
Capital work in progress	3.4	**2,275**	13,633
Other financial assets		**815**	815
Equity accounted investments	6.2.2	**4,162**	3,308
Other receivables and prepayments	3.5	**1,079**	1,329
Derivative financial instruments	3.9	**-**	248
Total non-current assets		**279,169**	285,036
Total assets		**338,256**	353,844
Current liabilities			
Trade and other payables	3.7	**43,838**	51,483
Current lease liabilities	4.5.2	**10,931**	11,076
Derivative financial instruments	3.9	**16**	-
Current tax provision		**1,575**	254
		56,360	62,813
Liabilities directly associated with assets classified as held for sale	6.3.1	**7,338**	-
Total current liabilities		**63,698**	62,813
Non-current liabilities			
Non-current lease liabilities	4.5.2	**96,521**	84,807
Interest bearing liabilities	4.5.1	**45,379**	89,149
Derivative financial instruments	3.9	**310**	-
Deferred tax liability	5.2	**260**	605
Total non-current liabilities		**142,470**	174,561
Total liabilities		**206,168**	237,374
Net assets		**132,088**	116,470
EQUITY			
Share capital	4.1	**361,758**	360,768
Reserves	4.2	**3,485**	2,984
Retained earnings		**(233,280)**	(247,712)
Total Company interest		**131,963**	116,040
Non-controlling interests		**125**	430
Total equity		**132,088**	116,470

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

		Attributable to owners of the company					
	Note	Share capital $'000	Reserves $'000	Retained earnings $'000	**Total $'000**	Non-controlling interests $'000	**Total equity $'000**
Balance at 1 January 2019		360,363	2,998	(77,662)	**285,699**	937	**286,636**
Adoption of NZ IFRS 16		-	-	(5,931)	**(5,931)**	-	**(5,931)**
Restated balance at 1 January 2019		360,363	2,998	(83,593)	**279,768**	937	**280,705**
Net loss after tax		-	-	(164,665)	**(164,665)**	(507)	**(165,172)**
Other comprehensive income		-	190	-	**190**	-	**190**
Total comprehensive income		-	190	(164,665)	**(164,475)**	(507)	**(164,982)**
Deferred tax on share based payments		-	-	546	**546**	-	**546**
Share based payments expense	4.2	-	311	-	**311**	-	**311**
2016 total incentive plan (TIP) settlement		405	(515)	-	**(110)**	-	**(110)**
Balance at 31 December 2019		360,768	2,984	(247,712)	**116,040**	430	**116,470**
Balance at 1 January 2020		360,768	2,984	(247,712)	**116,040**	430	**116,470**
Net profit / (loss) after tax		-	-	14,547	**14,547**	(305)	**14,242**
Other comprehensive income		-	746	-	**746**	-	**746**
Total comprehensive income		-	746	14,547	**15,293**	(305)	**14,988**
Deferred tax on share based payments		-	-	(115)	**(115)**	-	**(115)**
Share based payments expense	4.2	-	1,095	-	**1,095**	-	**1,095**
2017 TIP settlement		990	(1,340)	-	**(350)**	-	**(350)**
Balance at 31 December 2020		361,758	3,485	(233,280)	**131,963**	125	**132,088**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**2020 $'000**	2019 $'000
Cash flows from operating activities			
Receipts from customers		**324,146**	368,454
Payments to suppliers and employees		**(266,514)**	(307,562)
Government grants	1.5.4	**9,900**	-
Dividends received		**2**	108
Interest received		**67**	87
Interest paid on bank facilities		**(3,175)**	(4,752)
Interest paid on leases	4.5.2	**(4,833)**	(4,824)
Income taxes paid		**(2,674)**	(4,540)
Net cash inflows from operating activities	4.6	**56,919**	46,971
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets (including work in progress)		**(6,340)**	(11,840)
Proceeds from sale of joint venture		**-**	125
Proceeds from sale of property, plant and equipment		**30**	11
Payments for investment in other entities		**-**	(20)
Net cash outflows from investing activities		**(6,310)**	(11,724)
Cash flows from financing activities			
Proceeds from borrowings	4.5.1	**10,000**	45,500
Repayments of borrowings	4.5.1	**(53,500)**	(66,500)
Payments for borrowing cost	4.5.1	**(490)**	(36)
Payments for lease liability principal	4.5.2	**(9,475)**	(11,512)
Net cash outflows from financing activities		**(53,465)**	(32,548)
Net (decrease) / increase in cash and cash equivalents		**(2,856)**	2,699
Cash and cash equivalents at beginning of the year		**14,416**	11,717
Cash and cash equivalents at end of the year	4.6	**11,560**	14,416

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.0 BASIS OF PREPARATION

1.1 REPORTING ENTITY AND STATUTORY BASE

NZME Limited (NZX:NZM and ASX:NZM) is a for-profit company limited by ordinary shares which are publicly traded on the NZX Main Board and the Australian Securities Exchange as a Foreign Exempt Listing. NZME Limited is incorporated and domiciled in New Zealand. It is registered under the Companies Act 1993 and is a FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The entity's registered office is 2 Graham Street, Auckland, 1010, New Zealand.

NZME Limited (the "Company" or "Parent") and its subsidiaries' (together the "Group") principal activity during the financial year was the operation of an integrated media and entertainment business.

1.2 GENERAL ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for for-profit entities. The consolidated financial statements also comply with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have also been prepared in accordance with Part 7 of the Financial Markets Conduct Act 2013 and the NZX Listing Rules.

The Group has used non-GAAP measures which are not prepared in accordance with New Zealand International Financial Reporting Standards (NZ IFRS) in relation to the following:

- profit before finance costs, depreciation, amortisation (income statement);
- total segment adjusted EBITDA (note 2.4); and
- net tangible assets (note 3.8).

These measures should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with NZ IFRS. Non-GAAP financial measures may not be comparable to similarly titled amounts reported by other companies.

The principal accounting policies adopted in the preparation of the financial statements are either set out below, or in the relevant note. These policies have been consistently applied to all the years presented, unless otherwise stated. These consolidated financial statements are presented for the Group and were approved for issue by the Board of Directors on 23 February 2021.

1.2.1 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention with the exception of certain items for which specific accounting policies are identified.

1.2.2 Comparatives

Certain prior period information has been re-presented to ensure consistency with current year disclosures and to provide more meaningful comparison. The prior period information that has been re-presented is:

- Other financial assets: Consolidated balance sheet, investments' costs moved to equity accounted investments. This also affected FV disclosures in note 4.8.2.
- In note 2.1 $3,015,890 of print other revenue has been reclassified to external printing and distribution.
- Finance costs in note 2.2.3 have been split into interest on bank facilities and interest on leases.
- Leasehold improvements have been separated from buildings in note 3.2
- Deferred revenue in note 3.7 has been separated from trade and other payables, and has therefore been excluded from the trade payables and accruals in note 4.7.4.
- Average price per right of performance rights in note 4.3 has been recalculated.
- Short term benefits in note 7.1 have been reduced to exclude the value of shares issued in settlement of the 2016 TIP.

1.2.3 Foreign currency translation

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 New Zealand dollars, which is the Company's functional and the Group's presentation currency, and rounded to the nearest thousand, except where otherwise stated.

1.2.4 Goods and Services Tax ('GST')

The consolidated income statement has been prepared so that all components are stated exclusive of GST. All items in the consolidated balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced. In the consolidated statement of cash flows, receipts from customers and payments to suppliers are shown exclusive of GST.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

1.3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements requires the use of certain significant judgements, accounting estimates and assumptions, including judgements, estimates and assumptions concerning the future. The estimates and assumptions are based on historical experiences and other factors that are considered to be relevant. The resulting accounting estimates will by definition, seldom equal the related actual results and are reviewed on an ongoing basis. A list of those areas of significant estimation or judgement and a reference to the notes containing further information is provided below:

Areas of significant accounting estimates or judgements	Note
Determination of the number of reportable segments	2.4.1
Intangible assets with indefinite useful lives	3.1
Assumptions used in testing for impairment of indefinite life intangible assets	3.1.1
Right-of-use assets	3.3
Assets held for sale	6.3

1.4 NEW STANDARDS AND INTERPRETATIONS ADOPTED IN THE CURRENT PERIODS

The Group early adopted the practical expedient provided in the amendment to NZ IFRS 16: *Leases* in relation to rent concessions received as a result of Covid-19. In adopting the practical expedient the impact of the rent concessions on the current liabilities were credited to other income within the consolidated income statement. The practical expedient was applied to all rent concessions.

There have been no other changes to accounting policies and no other new standards adopted during the period.

1.5 COVID-19

The global pandemic was declared by the World Health Organisation on 11 March 2020. The subsequent full lockdown of New Zealand's non-essential services had a significant financial impact on the Group.

NZME's core news and broadcast media business operated as an essential service during the level 4* lockdown which ran from 25 March 2020 to 27 April 2020 (inclusive). Some community newspapers were unable to be delivered and some NZME run events had to be cancelled or postponed. On 12 August the Auckland region of New Zealand was placed at alert level 3* while the rest of New Zealand was placed at alert level 2* in response to community Covid-19 outbreak in Auckland.

The level 3* lockdown for the Auckland region was lifted on 30 August 2020 when the region was put at alert level 2*, plus some additional restrictions. On 8 October New Zealand as a whole returned to alert level 1*. The Group continued to operate safely within the various alert level changes with staff able to work from home during the level 3* and level 4* lockdowns.

Based on information available at the time of preparing the consolidated financial statements, the Group has assessed the impact of Covid-19 and the following notes provide some detail on items in the consolidated financial statements that have been impacted by the pandemic.

1.5.1 The Group's response to Covid-19

The Group responded immediately to the revenue decline with the Directors and CEO reducing their fees and salary respectively and employees also asked to take a voluntary 15% reduction for 12 weeks. Restructuring of the work force was undertaken with over 200 roles being disestablished, reducing the Group's cost base significantly. The Group also negotiated with its landlords to obtain rent relief on various properties (see note 1.5.3 for further details).

The Group applied for, and received, the New Zealand Government's wage subsidy and was eligible for relief under the Government's Media Relief package. Note 1.5.4 provides more detail on the Government assistance received by the Group.

The Group's second half performance has enabled the Company to return the voluntary salary reductions made by employees earlier in the year.

1.5.2 Revenue and trade receivables

The impact of Covid-19 on the Group's revenue began in the final two weeks of March. March advertising revenue was 10.0% below the same period last year with April 47.6% down, May 39.2% down and June 23.7% down. The revenue impact of Covid-19 continued into the third quarter with July down 18.9%, August down 16.6% and September down 19.2%. Other revenue channels were also impacted to varying degrees. However, advertising revenue has returned to pre-Covid-19 levels in the last two months of 2020.

The Group has performed an assessment of credit risk on its advertisers. As a result of this assessment, the Group has increased its bad debt provision by 0.5% (note 3.5) to reflect the estimated financial difficulties of advertisers related to the economic impact of the pandemic.

1.5.3 Rent concessions

The Group applied the specific Covid-19 related rent concessions amendment to NZ IFRS 16 with other income including $463,408 of rent concessions revenue in relation to office space rent savings. Note 2.4.2 provides additional information. The rent concessions received have decreased the deferred tax assets relating to NZ IFRS 16 by $117,229.

1.5.4 Government assistance

The Group applied for, and received, the Government's wage subsidy and the consolidated income statement for the twelve months ended 31 December 2020 includes $9,899,738 of wage subsidy classified as other income. For segment reporting, in note 2.4.2, the subsidy has been recognised as other income ($8,554,198) and as an offset to redundancies and associated costs ($1,345,540) relating to employees who were given an extended notice period funded by the wage subsidy.

The Government announced a Media Relief package on 23 April 2020 whereby media companies would receive relief from paying transmitter tower rental, power and contracted maintenance costs for six months beginning 1 May 2020 for the transmitter sites leased from Kordia and Radio New Zealand. The relief obtained for the tower rental is treated as a rent concession and other income includes $1,337,300 in relation to the tower rental savings component of the Media Relief package. Note 2.4.2 provides additional information.

1.5.5 Impairment assessment

The Group has considered the impacts of Covid-19 in the assumptions used in the assessment of indefinite life intangible assets, software, right-of-use assets and property, plant and equipment. No impairment has been recognised (see note 3.1.1).

1.5.6 Other

There remains a heightened level of uncertainty given the continued presence of Covid-19.

The risks and uncertainty faced by the Group relate to (and are not limited to):

- the impact of wider economic pressures in New Zealand and globally; and
- a potential outbreak at one of the Group's facilities, warranting closure, may significantly affect operations.

The Group's net debt position at 31 December 2020 is lower than the 31 December 2019 position and the Group expects to be able to meet its liabilities as they fall due and remain in compliance with all relevant banking covenants for the foreseeable future. As such there is no change to the Directors' assessment that it is appropriate to apply the going concern basis of accounting.

1.5.7 Subsequent to balance date

On 15 February 2021 the Auckland region of New Zealand was placed at alert level 3* while the rest of New Zealand was placed at alert level 2* for a period of 3 days in response to a community Covid-19 outbreak in Auckland. On 18 February 2021 the alert levels dropped, with the Auckland region of New Zealand moving to alert level 2* while the rest of New Zealand moved to alert level 1*. On 23 February 2021 Auckland moved to alert level 1*. The Group has continued to operate safely with all staff able to, working from home. This development highlights the uncertainty of Covid-19 impacts into the future, but at this stage does not change the Group's judgments or estimates.

*These levels are defined at covid19.govt.nz

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

2.0 GROUP PERFORMANCE

2.1 DISAGGREGATION OF REVENUE AND OTHER INCOME

	Print $'000	Radio $'000	Digital & e-Commerce $'000	**Total $'000**
For the year ended 31 December 2020				
Advertising	75,451	94,037	55,914	**225,402**
Circulation and subscription	72,710	-	6,621	**79,331**
External printing and distribution	4,994	-	-	**4,994**
Other	2,628	873	4,112	**7,613**
Segment revenue from integrated media and entertainment activities	155,783	94,910	66,647	**317,340**
Revenue from shared services centre				**3,409**
Events				**1,390**
Total revenue from external customers				**322,139**
Dividends				**2**
Government grants [A]				**9,900**
Rental income from sub-leases				**455**
Gain on disposal of property, plant and equipment				**22**
Lease rent concessions [A]				**1,801**
Other lease adjustments				**34**
Compensation for franking credits				**780**
Other income				**12,994**
Finance income				**67**
Total finance and other income				**13,061**
Total revenue and other income				**335,200**

[A] See the Covid-19 note (note 1.5) for further information.

	Print $'000	Radio $'000	Digital & e-Commerce $'000	**Total $'000**
For the year ended 31 December 2019				
Advertising	102,163	110,111	55,796	**268,070**
Circulation and subscription	76,322	-	1,667	**77,989**
External printing and distribution	10,632	-	-	**10,632**
Other	3,265	759	2,966	**6,990**
Segment revenue from integrated media and entertainment activities	192,382	110,870	60,429	**363,681**
Shared services centre				**3,377**
Events				**4,021**
Total revenue from external customers				**371,079**
Dividends				**108**
Rental income from sub-leases				**475**
Gain on disposal of property, plant and equipment				**11**
Gain on change in scope of lease				**638**
Other income				**1,232**
Finance income				**87**
Total finance and other income				**1,319**
Total revenue and other income				**372,398**

Accounting policies

The Group applies the following accounting policies in relation to revenue:

Advertising

The Group operates an integrated media and entertainment business and contracts with customers to provide advertising on multiple platforms consisting of a series of distinct services that are substantially the same and that have the same pattern of transfer to the customer. Advertising is often bundled to include print, radio and/or digital components. In most cases each component of the bundle is treated as a distinct performance obligation and the transaction price is allocated on a relative stand-alone selling price basis. Experiential campaigns are a type of bundling focused on providing an experience utilising a mix of traditional advertising mediums with bespoke elements like competitions, product sampling, street performances etc. These activities are highly integrated and inter-dependent and are therefore a single performance obligation with revenue recognised over the period of the campaign. These campaigns often include elements that are provided by external parties and the Group acts as the principal in those instances. These campaigns are typically run over a short period of time and are typically completed and billed for in the same reporting or billing period. Where the Group provides advertising for non-cash consideration, revenue is recognised at the fair value of the consideration received, unless the Group cannot reasonably estimate the fair value of the non-cash consideration; in which case revenue is recognised by reference to the stand-alone selling price of the advertising promised to the customer. When advertising is exchanged for advertising, revenue is recognised on a gross basis as set out above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Subscriptions

The Group enters into contracts with customers to deliver a specified publication on specified days. The performance obligation is satisfied, and revenue is recognised, when the publication is delivered.

Circulation

The Group enters into contracts with customers to deliver specified publications on specified days which the customer will on-sell to the public. The performance obligation is satisfied when the publication is delivered. Certain customers have a right to return any unsold publications which is treated as variable consideration. Customers are required to report unsold publications using an online system on a weekly basis. The Group therefore includes in the transaction price an estimate of the unsold publications using the most likely amount method based on the weekly reporting from customers to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

External printing and distribution

The Group enters into contracts with customers to print their publications and, in certain cases, distribute those publications on their behalf; including maintaining a distribution network. The printing, delivery and maintenance of a distribution network are distinct performance obligations. The performance obligation to print a publication is satisfied when those publications are printed. Similarly, the performance obligation to deliver a publication is satisfied when it is delivered. The performance obligation to maintain a distribution network is a service that is largely the same on a monthly basis and is satisfied, and revenue recognised, in equal increments over the billing period.

e-Commerce (GrabOne)

The Group acts as an agent for merchants selling their products or services to the public using the GrabOne platform. The Group does not control the product or service before it is transferred to the purchaser. Revenue is recognised in the amount of any fees or commissions the Group expects to be entitled to in exchange for arranging for the product or service to be promoted on the GrabOne platform.

Shared services centre

The Group provides back-office support services to customers. These services consist of a number of functions that are largely consistent on a month-to-month basis. Revenue is therefore recognised in equal increments over the billing period.

Deferred revenue

When a customer pays for goods or services in advance, the Group recognises a deferred revenue liability which is reduced, and revenue recognised, as the Group satisfies each distinct performance obligation.

Government grants

Cash received from Government grants is recorded as "Other income".

Significant financing component

The Group does not expect, at contract inception, that the period between transferring the promised goods or services from contracts with customers and when the customer pays for those goods and services to be more than one year. The Group applies the practical expedient in NZ IFRS 15 to not adjust the promised amount of consideration it expects to receive for those goods or services for the effects of a significant financing component.

Incremental cost of obtaining a contract

The Group applies the practical expedient in NZ IFRS 15 to recognise the incremental cost of obtaining a contract (such as commission) when incurred if the amortisation period is one year or less. If material, the Group will recognise an asset for any incremental cost of obtaining a contract with a customer if the Group expects to recover those costs and the amortisation period is expected to be more than one year. Those costs will be amortised on a systematic basis that is consistent with the transfer of the good or service to which the asset relates.

Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are material and not within the scope of another standard, the Group recognises an asset from the costs incurred if all of the following criteria are met:

- the costs relate directly to the contract;
- the costs generate or enhance resources that the Group will use to satisfy the performance obligations in that contract; and
- the costs are expected to be recovered.

Those costs will be amortised on a systematic basis that is consistent with the transfer of the goods or services promised in that contract. Given the nature of the Group's activities, this is expected to be rare.

2.2 EXPENSES

	2020 $'000	2019 $'000
2.2.1 Expenses from operations before finance costs, depreciation, amortisation		
Employee benefits expense	**135,783**	150,342
Production and distribution expense	**55,194**	67,313
Selling and marketing expense	**38,637**	50,690
Rental and occupancy expense	**5,607**	6,720
Costs in relation to one-off projects	**519**	2,729
Redundancies and associated costs	**9,609**	6,043
Loss on sale of joint venture	**-**	210
Impairment of financial asset	**-**	869
Impairment of right-of-use asset	**321**	-
Repairs and maintenance costs	**8,361**	7,550
Travel and entertainment costs	**1,339**	3,272
Other	**18,909**	20,091
Total expenses from operations before finance costs, depreciation, amortisation	**274,279**	315,829
2.2.2 Depreciation and amortisation		
Depreciation on owned assets	**8,352**	8,853
Depreciation on right-of-use assets	**12,515**	12,817
Amortisation	**9,357**	10,002
Total depreciation and amortisation	**30,224**	31,672
2.2.3 Finance costs		
Interest and finance charges on bank facilities	**2,919**	4,496
Interest expense on leases	**5,032**	4,824
Interest expense / (income) on interest rate swaps	**82**	(17)
Borrowing cost amortisation	**220**	192
Total finance costs	**8,253**	9,495

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	2020 $'000	2019 $'000
2.2.4 Fees paid to auditors		
Fees paid to the Group's auditors, PricewaterhouseCoopers, consist of:		
Audit or review of financial statements [A]	**405**	389
Other services		
Other assurance services [B]	**-**	5
Tax services [C]	**-**	12
Other services [D]	**17**	41
Total other services	**17**	58
Total fees paid to auditors	**422**	447

[A] Fee for both the audit of the annual financial statements and the independent review of the interim financial statements.

[B] Payroll assurance procedures.

[C] Transactional advice and tax compliance services.

[D] Agreed upon procedures performed for monthly industry revenue benchmarking and the 2019 Broadcasting Standards Authority return. In 2019, a treasury related financial markets risk analysis in addition to the monthly market revenue benchmarking.

2.3 EARNINGS PER SHARE

	2020 $'000	2019 $'000
Reconciliation of earnings used in calculating basic / diluted earnings per share ("EPS")		
Profit / (loss) attributable to owners of the parent entity	**14,547**	(164,665)
Profit / (loss) attributable to owners of the parent entity used in calculating EPS	**14,547**	(164,665)

	2020 Number	2019 Number
Weighted average number of shares		
Weighted average number of shares in the denominator in calculating basic EPS	**197,570,061**	196,555,998
Adjusted for calculation of diluted EPS	**5,235,314**	3,024,181
Weighted average number of shares in the denominator in calculating diluted EPS	**202,805,375**	199,580,179

	2020 Cents	2019 Cents
Basic / diluted earnings per share		
Basic earnings per share	**7.36**	(83.77)
Diluted earnings per share	**7.17**	(82.51)

Accounting policies

Basic earnings per share

Basic earnings per share is determined by dividing:

- the 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 dividends, interest and other changes in income or expense 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.

2.4 SEGMENT INFORMATION

2.4.1 Determination and description of segments

Significant judgements: The Group has one reportable segment – being "Integrated Media and Entertainment". All significant operating decisions are based upon analysis of NZME as one operating segment. The Executive Team and the Board of Directors have been identified as the Chief Operating Decision Maker. The Group's major products and services are split by channel only at the revenue level into Print, Radio and Digital & e-Commerce which is the way in which revenue is reported to the Chief Operating Decision Maker. Although the Group operates in many different markets within New Zealand, for management reporting purposes the Group operates in one principle geographical area being New Zealand as a whole.

Integrated Media and Entertainment incorporates the sale of advertising, goods and services generated from the audiences attached to the Group's media platforms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2.4.2 Segment revenue and results

The segment information provided to the Directors and Executive Team for the year ended 31 December 2020 is as follows:

	2020 $'000	2019 $'000
Revenue from external customers by channel		
Print	**155,783**	192,382
Radio	**94,910**	110,870
Digital and e-Commerce	**66,647**	60,429
Segment revenue from integrated media and entertainment activities	**317,340**	363,681
Revenue from shared services centre	**3,409**	3,377
Events	**1,390**	4,021
Total revenue from external customers	**322,139**	371,079
Dividend income	**2**	108
Government grants [A]	**8,554**	-
Rental income from sub-leases [B]	**455**	475
Gain on disposal of property, plant and equipment	**22**	11
Expenses from operations before finance costs, depreciation, amortisation and exceptional items	**(263,830)**	(305,978)
Total segment adjusted EBITDA [C]	**67,342**	65,695
Depreciation and amortisation on owned assets	**(17,709)**	(18,855)
Depreciation on right-of-use assets	**(12,515)**	(12,817)
Total depreciation and amortisation	**(30,224)**	(31,672)
Interest income	**67**	87
Finance costs	**(8,253)**	(9,495)
Share of joint ventures and associates net loss after tax	**(417)**	-
Other lease adjustments [D]	**1,835**	638
Exceptional items		
Impairment of right-of-use asset [E]	**(321)**	-
Compensation for franking credits [F]	**780**	-
Loss on sale of joint venture [G]	**-**	(210)
Redundancies and associated costs [H]	**(8,263)**	(6,043)
Costs in relation to one-off projects [I]	**(519)**	(2,729)
Impairment of financial assets [J]	**-**	(869)
Impairment of goodwill and indefinite life brands [K]	**-**	(175,000)
Impairment of software [L]	**(3,149)**	-
Profit / (loss) before income tax expense	**18,878**	(159,598)

[A] Government grants relate to the wage subsidy received from the Government in response to the effect of Covid-19 on businesses. The total received was $9,899,738 in the consolidated income statement which is included in finance and other income. For segment reporting the wage subsidy is allocated to other income ($8,554,198), where it related to employees who continued to work in the business, and exceptional costs ($1,345,540), where the subsidy related to employees who were made redundant and who were given extended notice periods, and is offset against redundancies and associated costs.

[B] Rental income of $310,213 (2019: $283,937) was received from the sub-lease of right-of-use assets.

[C] Adjusted Earnings before Interest, Tax, Depreciation and Amortisation (Adjusted EBITDA) from continuing operations which excludes exceptional items, is a non-GAAP measure that represents the Group's total segment result which is regularly monitored by the Chief Operating Decision Maker. Exceptional items are those gains, losses, income and expense items that are not directly related to the primary business activities of the Group which are determined in accordance with the NZME Exceptional Items Recognition Framework adopted by the Board. Exceptional items include redundancies, impairment, one-off projects and the disposal of properties or businesses. These items are excluded from the segment result that is regularly reviewed by the Chief Operating Decision Maker.

[D] The Group early adopted the practical expedient under NZ IFRS 16 in relation to Covid-19 rent concessions. The rent concessions received by the Group reduced lease liabilities by $1,800,680, a corresponding amount is recognised within other income in the income statement with other adjustments and changes to leases contributing $34,103. The 2019 amount relates to the change in scope of the Ellerslie lease.

[E] The impairment of right-of-use assets relates to the Whangarei office where business changes have resulted in a floor being vacated. The Group is currently marketing the available space.

[F] NZME franking credits were utilised by HT&E as part of an ATO settlement and related to the 2016 demerger agreement.

[G] Loss on disposal of the Group's interest in the Chinese New Zealand Herald Limited in December 2019.

[H] The redundancies and associated costs relate to the restructuring and integration of the New Zealand operations and in 2020 includes the wage subsidy offset for those employers who were given an extended notice period.

[I] The 2020 costs are in relation to the final costs incurred in connection with trying to acquire Stuff Limited and some additional provisions for historical pay claims. 2019 costs are primarily in relation to the ongoing work in connection with acquiring Stuff Limited, the disposal of the Group's investment in Ratebroker Limited and historical holiday pay adjustments.

[J] 2019 cost relates to the impairment of KPEX Limited and the loan to Jugl Limited.

[K] Cost relates to the impairment of the goodwill and indefinite life brands. (See note 3.1.1).

[L] Impairment of the Wide Orbit radio scheduling system.

As the Group has one operating segment, the assets and liabilities as reported on the consolidated balance sheet are also the segment assets and liabilities, and the income tax expense in the consolidated income statement is also the segment income tax.

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3.0 ASSETS AND LIABILITIES

3.1 INTANGIBLE ASSETS

Significant judgement: The Directors have determined that masthead brands and brands have indefinite lives and are therefore not amortised. Refer to the accounting policies below for further information.

	Goodwill $'000	Software $'000	Masthead brands $'000	Radio licences $'000	Brands $'000	Total $'000
As at 1 January 2019						
Cost	166,397	68,633	146,976	77,547	59,079	**518,632**
Accumulated amortisation and impairment	(95,614)	(51,809)	-	(41,298)	-	**(188,721)**
Net book value	**70,783**	**16,824**	**146,976**	**36,249**	**59,079**	**329,911**
For the year ended 31 December 2019						
Opening net book amount	70,783	16,824	146,976	36,249	59,079	**329,911**
Additions	-	344	-	-	-	**344**
Amortisation	-	(7,042)	-	(2,960)	-	**(10,002)**
Impairment	(70,783)	-	(74,336)	-	(29,881)	**(175,000)**
Transfers from capital work in progress	-	5,010	-	-	-	**5,010**
Net book value	**-**	**15,136**	**72,640**	**33,289**	**29,198**	**150,263**
As at 31 December 2019						
Cost	166,397	73,987	146,976	77,547	59,079	**523,986**
Accumulated amortisation and impairment	(166,397)	(58,851)	(74,336)	(44,258)	(29,881)	**(373,723)**
Net book value	**-**	**15,136**	**72,640**	**33,289**	**29,198**	**150,263**
For the year ended 31 December 2020						
Opening net book amount	-	15,136	72,640	33,289	29,198	**150,263**
Amortisation	-	(6,362)	-	(2,995)	-	**(9,357)**
Impairment	-	(3,149)	-	-	-	**(3,149)**
Transfer to assets held for sale	-	(939)	-	-	(29)	**(968)**
Transfers from capital work in progress	-	12,757	-	932	-	**13,689**
Net book value	**-**	**17,443**	**72,640**	**31,226**	**29,169**	**150,478**
As at 31 December 2020						
Cost	166,397	77,809	146,976	78,479	59,019	**528,680**
Accumulated amortisation and impairment	(166,397)	(60,366)	(74,336)	(47,253)	(29,850)	**(378,202)**
Net book value	**-**	**17,443**	**72,640**	**31,226**	**29,169**	**150,478**

Accounting policies

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 the acquisition. Goodwill is not amortised but rather is subject to periodic impairment testing (refer to note 3.1.1 below) with all goodwill now fully impaired.

Software

Costs incurred in developing systems, 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 (typically 2 to 10 years).

Masthead brands

Masthead brands, being the titles, logos and similar items of the integrated media assets of the Group are accounted for as identifiable assets and are initially recognised at cost and subsequently measured at cost less any accumulated impairment losses. The Directors believe the masthead brands have indefinite lives as there is no foreseeable limit over which they are expected to generate net cash inflows for the Group. Accordingly, masthead brands are not amortised but are tested for impairment each year (refer to note 3.1.1 below).

Radio licences

Commercial radio licences are accounted for as identifiable assets and are initially recognised at cost. The current New Zealand radio licences expire on 31 March 2031 and are being amortised on a straight line basis to that date.

Brands

Brands are accounted for as identifiable assets and are initially recognised at cost and subsequently measured at cost less any accumulated impairment losses. 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, brands are not amortised but are tested for impairment each year (refer to note 3.1.1 below).

3.1.1 Year-end impairment review

Significant judgement: As disclosed in note 2.4 the Directors have determined that the Group has one reportable segment – being "Integrated Media and Entertainment". The Directors have also determined that this is the only cash generating unit ("CGU") for impairment testing because this is the lowest level for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets. Accordingly all assets and liabilities attributable to the operations of the Group are allocated to one CGU except for financing, assets held for sale and equity accounted investments. This note also includes details of certain key estimates and assumptions made during the impairment testing process.

The recoverable amount of the CGU is determined based on the higher of fair value less costs to sell and value-in-use ("VIU") calculations using management forecasts. The recoverable amount of the CGU is compared against the carrying value of the CGU to determine whether there has been impairment. Any impairment is recognised immediately as an expense and in relation to goodwill, is not subsequently reversed.

A comprehensive impairment review was conducted at 31 December 2020. The recoverable amount of the CGU has been determined based on VIU. Based on the assumptions below no impairment of indefinite life intangible assets has been recognised in the income statement (2019:$175 million).

The impairment review used a set of assumptions which are considered the most appropriate for impairment testing but are more conservative than the Group's medium term plans.

The VIU calculations use cash flow projections which cover a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rate, which is the weighted average growth rate used to extrapolate cash flows beyond the forecast period. This assessment is required to be made based on events and knowledge as at 31 December 2020.

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Key estimates and assumptions used for the VIU of the CGU are as follows:

Discount Rate

A post tax discount rate of 9.0% (2019: 9.5%).

This discount rate represents the current assessment of the risks specific to the CGU, taking into account the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates.

Terminal Value

The terminal value within the VIU assessment has been calculated using a terminal growth rate assumption of -1.5% (2019: -1.2%).

Forecasts prepared over the forecast period (2021 - 2025)

The forecasts used in impairment testing have been prepared by management, and approved by the Board, for that specific purpose. Actual results may differ materially from those forecast or implied. The forecasts used in the impairment assessment were prepared to comply with the requirements of IAS 36.

The forecasts are not, and should not be read as, a forecast of, or guidance as to, the future financial performance and earnings of the Group.

The forecasts used in impairment testing require assumptions and judgements about the future, such as discount rates, long term growth rates, forecasted revenues, to which the model is sensitive and which are inherently uncertain.

Revenue and operating cost forecasts are prepared based on management's current expectations, with consideration given to internal information and relevant external industry data and analysis the CGU operates in. The business performance is forecast to be impacted by the forecast continuing decline of the print advertising market as indicated by market surveys. Management's assessment of cash flows and growth assumptions for the forecast periods take into account this uncertainty. Whilst there are further uncertainties around forecasting in a Covid-19 environment and the potential impact on revenue, it is considered that the forecast assumptions are reasonable.

Future capex spend is estimated at historical replacement levels, and no incremental revenue or costs savings are assumed as a result of this expenditure.

The key forecast assumptions used were:

	CAGR [A]
Print revenue	-6.50%
Radio revenue	3.70%
Digital advertising revenue	1.30%
Digital classifieds revenue	26.00%
Digital subscriptions revenue	28.00%
Operating expenses	1.80%

[A] 1. CAGR = compound annual growth rate.

Any reasonable adverse changes in the key assumptions would result in the recoverable amount being materially consistent with the carrying value.

Based on the assumptions the directors have not identified any impairment. The recoverable amount of the CGU of $283 million exceeds the carrying amount by $9 million. The Directors determined that the increase in the headroom over the prior year is not directly attributable to the brands and as a result a reversal of previously recognised impairment of indefinite life intangible assets has not been recognised.

The Group compares the carrying amount of net assets with the market capitalisation value at each balance date. The share price at 31 December 2020 was $0.70 equating to a market capitalisation of $138.3 million. This market value excludes any control premium and may not reflect the value of 100% of NZME's net assets. The carrying amount of NZME's net assets at 31 December 2020 was $132.1 million ($0.67 per share).

Accounting policy

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and at the end of each reporting period if there is an indication that they may be impaired. 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 purposes 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 (cash-generating units). Currently, the group has only one CGU, being Integrated Media and Entertainment. Non-financial intangible assets, other than goodwill, that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

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3.2 PROPERTY, PLANT AND EQUIPMENT

	Freehold land [A] $'000	Buildings [A] $'000	Leasehold improvements $'000	Plant and equipment $'000	**Total $'000**
As at 1 January 2019					
Cost or fair value	1,165	157	14,540	335,602	**351,464**
Accumulated depreciation and impairment	-	(24)	(6,230)	(298,065)	**(304,319)**
Net book amount	**1,165**	**133**	**8,310**	**37,537**	**47,145**
Year ended 31 December 2019					
Opening net book amount	1,165	133	8,310	37,537	**47,145**
Additions	-	-	-	457	**457**
Disposals	-	-	-	(1)	**(1)**
Depreciation	-	(18)	(1,206)	(7,629)	**(8,853)**
Transfers from capital work in progress	-	-	-	1,154	**1,154**
Net book amount	**1,165**	**115**	**7,104**	**31,518**	**39,902**
As at 31 December 2019					
Cost or fair value	1,165	157	14,540	337,165	**353,027**
Accumulated depreciation and impairment	-	(42)	(7,436)	(305,647)	**(313,125)**
Net book amount	**1,165**	**115**	**7,104**	**31,518**	**39,902**
Year ended 31 December 2020					
Opening net book amount	1,165	115	7,104	31,518	**39,902**
Additions	-	-	-	111	**111**
Disposals	-	-	-	(8)	**(8)**
Depreciation	-	(4)	(1,209)	(7,139)	**(8,352)**
Transfer to assets held for sale	(900)	(39)	-	-	**(939)**
Transfers from capital work in progress	-	(12)	187	4,089	**4,264**
Net book amount	**265**	**60**	**6,082**	**28,571**	**34,978**
As at 31 December 2020					
Cost or fair value	265	67	14,727	339,327	**354,386**
Accumulated depreciation and impairment	-	(7)	(8,645)	(310,756)	**(319,408)**
Net book amount	**265**	**60**	**6,082**	**28,571**	**34,978**

[A] Freehold land and buildings are held at fair value based on independent valuations. If land and buildings were stated on the historical cost basis, the net book value of land would have been $214,000 (2019: $442,270) and the net book value of buildings would have been $24,989 (2019: $317,103). The Mt Victoria land and buildings with fair values of $900,000 and $39,030 and net book values of $228,270 and $29,394 were transferred to assets held for sale (see note 6.3.1). The last revaluation was performed for the year ended 31 December 2015.

Accounting policies

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:

• Furniture and fittings	• 3 to 25 years
• Buildings	• 10 to 50 years
• Leasehold improvements	• 2.5 to 50 years
• Motor vehicles	• 5 to 10 years
• Plant & equipment	• 1.5 to 29 years

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

Land and buildings (excluding leasehold improvements) are recorded at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Independent valuations are performed with sufficient regularity to ensure that the carrying value of assets is materially consistent with their fair value. 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 reserves 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 the revaluation reserves 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, furniture and fittings and motor vehicles are 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 reliably measured. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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 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.

3.3 RIGHT-OF-USE ASSETS

Significant judgments: Where a discount rate is not explicit in a lease the Group determines an applicable discount rate to use based on publicly available rates for Government Bonds, Westpac swap rates and Treasury Risk-free discount rates and then applies an adjustment to these rates to apply a company specific credit risk. In determining the lease term the Group includes any periods covered by options to extend where the group is reasonably certain to exercise that option.

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	Buildings $'000	Transmission $'000	Vehicles $'000	Other $'000	Total $'000
As at 31 December 2019					
Net book amount	**67,553**	**6,219**	**1,730**	**36**	**75,538**
Year ended 31 December 2020					
Additions	-	-	157	-	**157**
Depreciation	(8,016)	(3,685)	(782)	(32)	**(12,515)**
Impairment of right-of-use asset	(321)	-	-	-	**(321)**
Changes in scope or lease terms	(817)	23,451	(111)	-	**22,523**
Net book amount	**58,399**	**25,985**	**994**	**4**	**85,382**

Accounting policies

The Group leases various offices, transmission towers, vehicles and other equipment which are classified as operating leases.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding lease liability. Each lease payment is allocated between the lease principal and finance costs. Finance costs are charged to profit or loss over the lease period and the right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

3.4 CAPITAL WORK IN PROGRESS

	2020 $'000	2019 $'000
As at 1 January	**13,633**	8,758
Additions	**6,595**	11,039
Transfers to intangible assets	**(13,689)**	(5,010)
Transfers to property plant and equipment	**(4,264)**	(1,154)
As at 31 December	**2,275**	13,633

Capital work in progress, which historically was included under property, plant and equipment, is transferred to the relevant asset category once the project is completed. Capital work in progress is not depreciated or amortised prior to being transferred to the relevant asset category. Intangible assets not yet available for use, that are included in capital work in progress, are subject to annual impairment tests.

3.5 TRADE AND OTHER RECEIVABLES

	2020 $'000	2019 $'000
Trade receivables	**38,241**	44,988
Provision for impairment	**(717)**	(632)
	37,524	44,356
Amounts due from related companies (note 7.2)	**37**	49
Other receivables and prepayments	**6,321**	8,044
Total current trade and other receivables	**43,882**	52,449
Movements in the provision for impairment are as follows:		
Balance at beginning of the year	**632**	766
Provision for impairment expense	**721**	369
Receivables written off	**(636)**	(503)
Provision for impairment	**717**	632
Other receivables and prepayments	**1,079**	1,329
Total non-current trade and other receivables	**1,079**	1,329

3.5.1 Classification

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Receivables and other financial assets are classified and subsequently measured at amortised cost on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. If collection of the amounts is expected in one year or less they are classified as current assets. If collection is expected to be in greater than one year they are classified as non-current.

3.5.2 Fair values of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

3.5.3 Impairment and risk exposure

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 4.7.3 for credit risk and note 4.8 for fair value information.

Accounting policies

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Receivables are monitored on an individual basis and the Group considers the probability of default upon initial recognition of the receivable and throughout the period and provides for receivables expected to be impaired. The amount of loss is recognised in the income statement within other expenses. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement against the impairment losses on receivables.

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3.6 INVENTORIES

Inventories is predominantly the stock of newsprint held at the Ellerslie print plant and is valued at cost. The stock of newsprint held is, on average, six to eight weeks supply. The longevity of the commodity, and the short period of time that stock is on hand, reduces the Group's risk of holding obsolete stock.

During the year ended 31 December 2020 inventories totalling $10,002,578 were expensed.

Accounting policy

Inventories are measured at cost and are expensed as used. All paper stock is inspected on delivery and, if damaged retuned to the supplier, with undamaged stock recorded in the stock system. Weekly stock takes are performed to ensure stock on hand agrees to the inventory system.

3.7 TRADE AND OTHER PAYABLES

	2020 $'000	2019 $'000
Current payables		
Amounts due to related companies (note 7.2)	**64**	104
Employee entitlements	**4,605**	5,829
Deferred revenue	**13,400**	14,423
Trade payables and accruals	**25,769**	31,127
Total current trade and other payables	**43,838**	51,483

Accounting policies

Trade and other 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.

Employee entitlements

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be wholly settled within 12 months from the reporting date are recognised in payables and accruals in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Amounts to be settled more than 12 months after the reporting date are recognised as a non-current payable. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Short-term incentive plans

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

- there are contracted terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial statements; 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 recognised at the amounts expected to be paid when they are settled.

Refer to note 4.3 for disclosures relating to share based payments and note 7.1 for key management compensation.

Deferred revenue

The accounting policy for deferred revenue is disclosed in note 2.1.

3.8 NET TANGIBLE ASSETS

Net tangible assets per share is a non-GAAP measure that is required to be disclosed by the NZX Listing Rules. The calculation of the Group's net tangible assets per share and its reconciliation to the consolidated balance sheet is presented below:

	2020 $'000	2019 $'000
As at 31 December		
Total assets	**338,256**	353,844
Intangible assets	**(150,478)**	(150,263)
Total liabilities	**(206,168)**	(237,374)
Net tangible assets	**(18,390)**	(33,793)
Number of shares issued (in thousands)	**197,570**	196,556
Net tangible assets per share (in $)	**($0.09)**	($0.17)

3.9 DERIVATIVE FINANCIAL INSTRUMENTS

The Group has invested $30 million in five different interest rate swaps with maturity dates from August 2021 to August 2023, to minimise the Group's interest rate risk. As at 31 December 2020 the Group had a current liability of $16,040 and a non-current liability of $309,692 compared to a non-current asset of $248,291 at 31 December 2019 and has recycled interest expense of $82,121 through other comprehensive income compared to $17,089 of interest income in the prior year.

Accounting policies

For each cash flow hedge relationship, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Gains or losses that are recognised in other comprehensive income are transferred to the income statement in the same period in which the hedged exposure affects the income statement. The ineffective part of any gain or loss is recognised immediately in the income statement at the time hedge effectiveness is tested.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is kept in other comprehensive income until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is immediately transferred to the income statement.

4.0 CAPITAL MANAGEMENT

4.1 SHARE CAPITAL

	2020 '000	2019 '000	**2020 $'000**	2019 $'000
Authorised, issued and paid up share capital				
Balance at the beginning of the period	**196,556**	196,011	**360,768**	360,363
Shares issued during the year	**1,014**	545	**990**	405
Balance at the end of the period	**197,570**	196,556	**361,758**	360,768

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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.

4.2 RESERVES

	2020 $'000	2019 $'000
Share based payments reserve		
Balance at the beginning of the year	**1,746**	1,950
Share based payment expense	**1,095**	311
2016 TIP settlement	**-**	(515)
2017 TIP settlement	**(1,340)**	-
Balance at end of the year	**1,501**	1,746
Cash flow hedge reserve		
Balance at the beginning of the year	**178**	-
Effective (loss) / gain on hedging instruments	**(656)**	265
Reclassification to profit or loss	**82**	(17)
Tax impact of hedging transactions	**70**	(70)
Balance at end of the year	**(326)**	178
Asset revaluation reserve		
Balance at beginning of the year	**722**	722
Balance at end of the year	**722**	722
Equity investments revaluation reserve		
Share of revaluation of joint ventures' and associates' assets	**1,271**	-
Balance at end of the year	**1,271**	-
Foreign currency translation reserve		
Balance at beginning of the year	**338**	326
Net exchange difference on translation of foreign operations	**(21)**	12
Balance at end of the year	**317**	338
Total reserves	**3,485**	2,984

4.2.1 Nature and purpose of reserves

Share based payments reserve

The share based payments reserve is used to recognise the fair value of the performance rights issued but not yet vested as described in note 4.3.

Cash flow hedge reserve

The cash flow hedge reserve is used to record unrealised gains or losses on hedging instruments that are recognised directly in equity. The modified fair value method has now been applied to the interest rate swaps and therefore no tax adjustments are required.

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 3.2. In the event of the sale of an asset the revaluation surplus is transferred to retained earnings.

Equity investments revaluation reserve

The equity investments revaluation reserve is used to record the Group's share of increments and decrements on the revaluation of assets owned by its joint ventures and associates. In the event of the sale of an asset the revaluation surplus is transferred to retained earnings.

Foreign currency translation reserve

Exchange differences arising on translation of any foreign controlled entities are taken to the foreign currency translation reserve, as described in the basis of preparation.

4.3 SHARE BASED PAYMENTS

	Average price per right ($)	**2020 Number of rights**	Average price per right ($)	2019 Number of rights
As at 1 January	**0.72**	**3,024,181**	0.80	2,281,136
Granted (2017 TIP)[A]	**-**	**-**	0.78	216,431
Granted (2019 TIP)[B]	**-**	**-**	0.55	1,510,650
Granted (2020 TIP)[C]	**0.36**	**3,724,664**	-	-
Surrendered[D]	**0.89**	**(499,468)**	0.66	(556,163)
Issued[E]	**0.89**	**(1,014,063)**	0.66	(427,873)
As at 31 December	**0.41**	**5,235,314**	0.72	3,024,181

[A] In 2019 the Board approved that under the 2017 Plan, participants will be entitled to additional shares when the rights are exercised (on 31 December 2020) for any dividends foregone during the period 1 January 2018 to 31 December 2020. For dividends declared during the period 1 January 2018 to 31 December 2019, this resulted in an additional 216,431 shares being issued to participants.

[B] The number of performance rights granted in 2020 in respect of the 2019 TIP.

[C] The number of performance rights expected to be granted in 2021 in respect of the 2020 TIP.

[D] The 2020 surrendered shares relate to the 2017 TIP with participants surrendering shares in lieu of PAYE owing on the issue of shares. The 2019 surrender comprises both surrender of shares by participants in lieu of PAYE owing on the issue of shares for the 2016 TIP plus two participants surrendering their rights under the 2016 TIP and 2017 TIP on leaving the company.

[E] The rights granted under the 2017 TIP were exercised on 31 December 2020 with 1,014,063 shares being issued. The share price at the date of issue was $0.70.

Share rights outstanding at the end of the year have the following exercise date and grant date price per right:

Grant date	Vesting date	Exercise date	Grant price per right ($)	**2020 Number of rights**	2019 Number of rights
25 September 2017	31 Dec 2018	31 Dec 2020	0.90	-	1,513,531
29 March 2019	31 Dec 2020	31 Dec 2022	0.55	**1,510,650**	1,510,650
5 March 2020	31 Dec 2021	31 Dec 2023	0.36	**3,724,664**	
As at 31 December				**5,235,314**	3,024,181

	2020	2019
Weighted average remaining time until rights outstanding at the end of the period automatically convert to ordinary shares	33 months	24 months

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4.3.1 Background

Total incentive plan ("TIP")

The TIP is designed to align the reward outcomes with the shareholders' interest and to support the achievement of the Group's business strategy and was approved by the Board on 20 December 2016. Under the TIP, and at the absolute discretion of the Board, the CEO and other executive key management personnel are eligible to participate in the TIP. Eligible participants have a target award opportunity, which varies between 50% and 100% of fixed remuneration, depending on the participant's role and responsibilities. A new TIP opportunity will be offered at the commencement of each financial year. The award is dependent on performance over a one year period ("performance period") and there is no opportunity for retesting. Performance is formally evaluated after the date that the full year financial performance is announced to the market.

4.3.2 2020 and 2019 TIP Schemes

Performance measures

- Financial performance conditions (50% to 75%): Performance will be measured against earnings before interest, tax, depreciation and amortisation ("EBITDA"). This portion is determined based on actual EBITDA against budgeted EBITDA on the following scale:

% of EBITDA	% of target opportunity awarded
< 95%	0%
> 95% to 100%	Pro-rata vesting between 25% and 100%
> 100% to 110%	Pro-rata vesting between 100% and 150%

- Business Unit Goals (0% to 25%): This portion is determined based on actual achievement against Business Unit ("BU") Goals on the following scale:

% of BU Goal achieved	% of target opportunity awarded
< 95%	25%
> 95% to 100%	Pro-rata vesting between 25% and 100%
> 100% to 110%	Pro-rata vesting between 100% and 150%

- Individual performance conditions (25%): This portion is determined against individual performance conditions, as determined for each participant. The TIP award is earned if all of the individual performance conditions have been achieved, although the Board has discretion to award less than a 100% of the target for partial performance and more than a 100% of the target for exceptional performance.

Awards under the TIP are granted to participants following the assessment of performance. To the extent that performance measures are met:

- 50% of awards are made in cash; and
- 50% of awards are granted in rights to acquire fully paid ordinary shares in the Company for nil consideration ("Rights").

The performance period for the awards is a twelve month period commencing on 1 January of the relevant year. Subject to remaining employed by the Company for a further one year period following the performance period ("service period"), rights will vest. The vested rights cannot be exercised for a further two years ("deferral period"). Vested rights will automatically convert into ordinary shares for nil consideration at the end of the deferral period without the requirement for the participant to exercise their rights. At the discretion of the Board, validly exercised rights may be satisfied in cash, rather than in shares. Participants are not entitled to receive any dividends for the rights they hold, but the Board may, at its sole discretion, allocate shares or make a cash payment to participants equal to the value of dividends that were payable whilst holding the unvested and / or vested rights. 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 recover amounts where performance that led to payments being awarded is later determined to have been incorrectly measured or not sustained. Awards are normally forfeited if the participant leaves before the end of the performance period, except in limited circumstances that are approved by the Board on a case-by-case basis.

If a participant leaves during the service period, the rights that will vest will be determined on a pro-rata basis based on when they leave during the service period. If a participant leaves during the deferral period, no rights will be forfeited, but rights will still only convert into ordinary shares at the end of the deferral period.

The fair value of the rights at grant date was estimated based on the NZME share price at that date, being the date after the Board approved the TIP and the terms were communicated to the eligible participants. The number of rights awarded are based on the Volume Weighted Average Price ("VWAP") of the Company's shares for the first five trading days of each performance period.

Model inputs

The following is a summary of the key inputs in calculating the share-based payment expense under the 2020 TIP:

• Performance period	1 January 2020 to 31 December 2020
• Service period	1 January 2021 to 31 December 2021
• Vesting period (being the performance period and the service period)	1 January 2020 to 31 December 2021
• Deferral period	1 January 2022 to 31 December 2023
• Share price at grant date	36 cents
• VWAP	39.8 cents

The following is a summary of the key inputs in calculating the share-based payment expense under the 2019 TIP:

• Performance period	1 January 2019 to 31 December 2019
• Service period	1 January 2020 to 31 December 2020
• Vesting period (being the performance period and the service period)	1 January 2019 to 31 December 2020
• Deferral period	1 January 2021 to 31 December 2022
• Share price at grant date	55 cents
• VWAP	50.4 cents

It is assumed that all participating employees will remain employed with the Company until the end of the vesting period.

4.3.3 2018 TIP

No TIP was offered for the 2018 Financial Year.

4.3.4 2017 TIP

The rights owing to the participants of the 2017 TIP were settled on 31 December 2020 with the issue of 1,014,063 shares.

Accounting policies

Total incentive plan (TIP)

The fair value of rights granted under the TIP plan is recognised as an employee benefits expense with a corresponding increase in equity over the vesting period, being the performance period and the service period. The fair value is measured at grant date and the number of rights are determined using the volume weighted average price of NZME's shares on the NZX over the first five trading days of the performance period.

The fair value at grant date is determined taking into account the share price, any market performance conditions and any non-vesting conditions, but excluding the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of rights that are expected to vest. 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.

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4.4 DIVIDENDS

4.4.1 Dividend policy

The Group's dividend policy is to pay dividends of between 30-50% of free cash flow while having regard to the Company's capital requirements, operating performance and financial position. The payment of dividends is also subject to the Company being within the leverage ratio range of 0.5 to 1 times the rolling 12 month trading EBITDA.

4.4.2 Dividends paid and declared

No dividends were paid during 2020 and on 22 February 2021, the Board of Directors confirmed that NZME Limited would not be declaring a final dividend for the 2020 financial year.

4.4.3 Franking and imputation credits

	2020 $'000	2019 $'000
Imputation credits available for subsequent reporting periods based on the New Zealand 28% tax rate for the Group	**NZ$ 18,061**	NZ$ 12,596
Franking credits available to the Company for subsequent reporting periods based on the Australian 30% tax rate for the Group	**A$ 0** [A]	A$ 0 [A]

[A] Although the Company does not have any franking credits available for use, other entities within the Group have A$9,163,691 (2019:A$10,828,676) available that might become available to the Company in future periods.

4.5 INTEREST BEARING LIABILITIES

4.5.1 Secured bank loans

	2020 $'000	2019 $'000
Bank Loans		
As at 1 January	**89,149**	109,993
Cash flows	**(43,500)**	(21,000)
Capitalised borrowing costs	**(490)**	(36)
Amortisation of borrowing costs	**220**	192
As at 31 December	**45,379**	89,149
Cash and cash equivalents		
As at 1 January	**(14,416)**	(11,717)
Cash flows	**2,856**	(2,699)
As at 31 December	**(11,560)**	(14,416)
Net bank debt	**33,819**	74,733

Capitalised borrowing costs of $621,268 (2019: $351,072) are included in the secured bank loans balance at 31 December 2020. Capitalised borrowing costs are the costs incurred on acquiring the loan less accumulated amortisation to 31 December 2020 with the costs being amortised over the period of the loan.

The Group is funded from a combination of its own cash reserves and NZ$120 million bilateral bank loan facilities, which NZME refinanced on 21 November 2018 and 22 July 2020, of which $46.0 million (2019: $89.5 million) is drawn and $74.0 million (2019: $60.5 million) is undrawn as at 31 December 2020. The facility limit will step down by $20 million from 1 January 2021, and by a further $10 million from 1 July 2021 and 1 July 2022 and by a further $5 million from 1 January 2023. This facility expires on 1 July 2023.

The interest rate for the drawn facility is the BKBM plus credit margin.

The NZME bilateral facilities contain undertakings which are customary for facilities of this nature including, but not limited to, provision of information, negative pledge and restrictions on priority indebtedness and disposals of assets. The assets of the Group are collateral for the interest bearing liability.

In addition, the Group must comply with financial covenants (a net debt to EBITDA ratio and an EBITDA to net interest expense ratio) for each 12 month period ending on 31 March, 30 June, 30 September and 31 December. The Group has complied with these covenants, throughout the reporting period.

Accounting policy

Borrowings 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 costs are netted off against the carrying value of borrowings in the balance sheet.

4.5.2 Lease liabilities

	2020 $'000	2019 $'000
As at 1 January		
Current lease liabilities	**11,076**	11,505
Non-current lease liabilities	**84,807**	88,820
Total lease liabilities	**95,883**	100,325
Interest on lease liabilities	**5,032**	4,824
New leases	**157**	948
Rent concessions	**(1,801)**	-
Other lease adjustments	**(34)**	(638)
Changes in scope or lease terms	**22,523**	6,760
Total lease liabilities before cash payments	**121,760**	112,219
Interest paid on leases	**(4,833)**	(4,824)
Principal payments	**(9,475)**	(11,512)
Total cash payments	**(14,308)**	(16,336)
Total lease liabilities at 31 December	**107,452**	95,883
Current lease liabilities	**10,931**	11,076
Non-current lease liabilities	**96,521**	84,807
Total lease liabilities at 31 December	**107,452**	95,883

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4.6 CASH FLOW INFORMATION

	2020 $'000	2019 $'000
Reconciliation of cash		
Cash at end of the year, as shown in the statement of cash flows, comprises:		
Cash and cash equivalents	**11,560**	14,416
Reconciliation of net cash inflows from operating activities to profit / (loss) for the year:		
Profit / (loss) for the year	**14,242**	(165,172)
Depreciation and amortisation expense	**30,224**	31,672
Borrowing cost amortisation	**220**	192
Net gain on sale of non-current assets	**(22)**	(11)
Change in current / deferred tax payable	**1,963**	1,034
Net loss on sale of investment	**-**	210
Impairment of goodwill and indefinite life brands	**-**	175,000
Impairment of software	**3,149**	-
Group's share of retained losses in joint ventures and associates	**417**	-
Lease rent concessions and other lease adjustments	**(1,835)**	(638)
Impairment of right-of-use asset	**321**	-
Interest accrual on lease	**199**	-
Impairment of financial assets	**-**	869
Share based payment expense	**1,095**	311
Changes in assets and liabilities net of effect of acquisitions:		
Trade and other receivables	**7,718**	4,030
Inventories	**464**	(78)
Prepayments	**503**	(630)
Trade and other payables and employee entitlements	**(1,739)**	182
Net cash inflows from operating activities	**56,919**	46,971

Accounting policy

For the purposes of presentation on the statement of cash flows, cash and cash equivalents includes cash on hand and short term deposits held at call with finance institutions, net of bank overdrafts.

4.7 FINANCIAL RISK MANAGEMENT

4.7.1 Capital and risk management

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Refer to note 4.5 for undrawn facilities to which the group has access to as well as the net debt calculation that is used by the group to manage capital requirements.

The Group's activities expose it to a variety of financial risks:

- market risk (including interest rate risk, and price risk);
- credit risk; and
- liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. 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 ageing analysis for credit risk.

Financial risk management is carried out by the Group Treasury function. The Group Treasury function meet regularly with the Group CFO to cover specific areas, such as interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. Due to the Group's limited operations in foreign jurisdictions, the Group does not have a significant foreign exchange exposure.

4.7.2 Market risk

Cash flow and fair value interest rate risk

Long term borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed interest rates expose the Group to fair value interest rate risk. The Group has undertaken hedging transactions to mitigate this risk (note 3.9). Current interest bearing debt is fixed for 30 days on a rolling basis.

NZME's interest rate risk is managed with interest rate derivatives. Hedge accounting is applied to derivatives that are effective in offsetting the changes in fair value or cash flows of the hedged items. The hedge relationship is documented and the effectiveness of such hedges is tested at regular intervals, at least on a semi-annual basis.

Based on the outstanding net floating debt at 31 December 2020, a change in interest rates of +/-1% per annum with all other variables being constant would impact post-tax profit and equity by $0.2 million lower / higher (2019: $0.6 million lower / higher).

Price risk

The Group is not exposed to significant price risk. There is some risk associated with other financial assets however this is not deemed to be significant as other financial assets are categorised as level 3 in the fair value hierarchy and have been impaired, where applicable, to the present value of expected future cash flows.

4.7.3 Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, the creditworthiness is assessed prior to entering into arrangements and approved by the Board. For other customers, NZME's credit control department assesses the credit quality, taking into account financial position, past experience and other factors. The utilisation of credit limits is regularly monitored and the Group does not normally obtain collateral from its customers.

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The table below sets out additional information about the credit quality of trade receivables net of the provision for impairment.

			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
2020						
Expected loss rate	0.7%	2.9%	**7.7%**	**-145.2%**	**14.0%**	
Trade receivables [A]	28,699	7,085	**1,529**	**(32)**	**1,042**	**38,323**
Impaired receivables	(205)	(203)	**(117)**	**(46)**	**(146)**	**(717)**
	28,494	**6,882**	**1,412**	**(78)**	**896**	**37,606**

[A] Trade receivables includes $82,236 of receivables in relation to GrabOne Limited that are classified as assets held for sale.

			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
2019						
Expected loss rate	0.5%	1.9%	**3.7%**	**1.6%**	**20.7%**	
Trade receivables	29,886	9,151	**2,892**	**2,298**	**761**	**44,988**
Impaired receivables	(160)	(169)	**(108)**	**(37)**	**(158)**	**(632)**
	29,726	**8,982**	**2,784**	**2,261**	**603**	**44,356**

Trade receivables are generally settled within 30 to 45 days. The Directors consider the carrying amount of trade receivables approximates to their net fair value. Trade receivables are monitored on an individual basis and the Company considers the probability of default upon initial recognition of the trade receivable and throughout the period and provides for trade receivables considered to be impaired.

As of 31 December 2020, trade receivables of $2,230,000 (2019: $5,648,000) were past due but not impaired.

The maximum exposure to credit risk at 31 December 2020 is equal to the carrying amount of cash and cash equivalents and trade and other receivables. The Group is not exposed to any concentrations of credit risk within cash and cash equivalents or trade and other receivables.

Credit risk further arises in relation to financial guarantees given to certain parties from time to time.

4.7.4 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.

	Less than one year $'000	Between one and two years $'000	Between two and five years $'000	Over five years $'000	Total cash flows $'000
31 December 2020					
Trade payables and accruals [A]	31,688	-	-	-	31,688
Lease liabilities	16,241	15,829	42,411	59,511	133,992
Bank loans	3,001	3,001	49,001	-	55,003
Gross liability	50,930	18,830	91,412	59,511	220,683
(Less): interest	(3,001)	(3,001)	(3,001)	-	(9,003)
Total financial liabilities	**47,929**	**15,829**	**88,411**	**59,511**	**211,680**
31 December 2019					
Trade payables and accruals	31,127	-	-	-	31,127
Lease liabilities	15,608	13,566	35,919	55,759	120,852
Bank loans	4,016	4,016	93,516	-	101,548
Gross liability	50,751	17,582	129,435	55,759	253,527
(Less): interest	(4,016)	(4,016)	(4,016)	-	(12,048)
Total financial liabilities	**46,735**	**13,566**	**125,419**	**55,759**	**241,479**

[A] Total includes $5,918,262 of GrabOne Limited trade payables and accruals which are included in liabilities directly associated with assets classified as held for sale.

4.8 FAIR VALUE MEASUREMENT

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 (FVTPL);
- Land and buildings (excluding leasehold improvements).

4.8.1 Fair value hierarchy

NZ IFRS 13 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).

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4.8.2 Recognised fair value measurements

	Note	2020 $'000	2019 $'000
Recurring fair value measurements			
Financial assets (Level 2)			
Derivative financial instruments (current assets)			248
Derivative financial instruments (current liabilities)	3.9	**(16)**	-
Derivative financial instruments (non-current liabilities)	3.9	**(310)**	-
Financial assets (Level 3)			
There are no financial assets carried at fair value. Other financial assets of $815,000 (2019: $815,000) are held at cost and therefore have been excluded from this table.			
Total financial assets		**(326)**	**248**
Non-financial assets (Level 3)			
Freehold land and buildings			
Freehold land	3.2	**265**	1,165
Buildings (excluding leasehold improvements)	3.2	**60**	115
Total non-financial assets		**325**	1,280

All fair value measurements referred to above are in either level 2 or level 3 of the fair value hierarchy and there were no transfers between levels. The Group's policy is to recognise transfers between fair value hierarchy levels as at the end of the reporting period.

4.8.3 Disclosed fair values

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 these 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 2020 or 31 December 2019 (level 3).

The fair value of interest bearing liabilities disclosed in note 4.5 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 ending 31 December 2020, the borrowing rates were determined to be between 2.5% and 4.0% (2019: between 3.4% and 4.6%), depending on the type of borrowing. The fair value of borrowings approximates the carrying amount, as the impact of discounting is not significant (level 2).

4.8.4 Valuation techniques used to derive at level 2 and 3 fair values

Recurring fair value measurements

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Group obtains independent valuations for its freehold land and buildings (classified as property, plant and equipment in note 3.2), less subsequent depreciation for buildings, with sufficient regularity to ensure that the carrying value of the assets is materially consistent with their fair value. All resulting fair value estimates for properties are included as level 3.

5.0 TAXATION

5.1 INCOME TAX EXPENSE

	2020 $'000	2019 $'000
Reported income tax expense comprises:		
Current tax expense	**5,789**	5,494
Deferred tax benefit	**(419)**	(132)
(Over) / under provision in prior years	**(734)**	212
Income tax expense	**4,636**	5,574
Income tax is attributable to:		
Taxable profit from continuing operations	**4,636**	5,574
Total income tax expense	**4,636**	5,574
Income tax expense differs from the amount prima facie payable as follows:		
Profit / (loss) before income tax expense	**18,878**	(159,598)
Prima facie income tax at 28%	**5,286**	(44,687)
Non-assessable asset sales and exempt distribution receipts	**(2)**	(3)
Non-assessable receipt	**(218)**	-
Non-assessable loss from equity accounting of investments in joint ventures and associates	**117**	-
Non-deductible impairment	**-**	49,000
Non-deductible expenses	**220**	1,066
Differences in international tax rates	**(15)**	(14)
Re-instatement of tax depreciation on buildings	**(18)**	-
(Over) / under provision in prior years	**(734)**	212
Income tax expense	**4,636**	5,574

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5.2 DEFERRED TAX

Deferred tax assets and liabilities are attributable to:

	Balance $'000	Recognised in income $'000	Recognised in equity $'000	Other movements $'000	**Balance $'000**
2019					
Tax credits	3	(3)	-	-	**-**
Employee entitlements	1,034	451	-	-	**1,485**
Provision for impairment	214	(37)	-	-	**177**
Accruals / restructuring	914	(795)	-	-	**119**
Intangible assets	(455)	37	-	-	**(418)**
Property, plant and equipment	(2,153)	60	-	-	**(2,093)**
Leases	-	420	-	(751)	**(331)**
Share schemes	-	(6)	(14)	546	**526**
Other	(5)	5	-	(70)	**(70)**
	(448)	**132**	**(14)**	**(275)**	**(605)**
2020					
Employee entitlements	1,485	(742)	-	(14)	**729**
Provision for impairment	177	24	-	-	**201**
Accruals / restructuring	119	49	-	-	**168**
Intangible assets	(418)	37	-	-	**(381)**
Property, plant and equipment	(2,093)	283	-	(15)	**(1,825)**
Leases	(331)	758	-	-	**427**
Share schemes	526	10	(115)	-	**421**
Other	(70)	-	-	70	**-**
	(605)	**419**	**(115)**	**41**	**(260)**

There are unrecognised tax losses of $1,859,348 (A$1,744,812) (2019: $1,805,182 (A$1,744,812)) in an Australian subsidiary of the Company which have not been recognised as there is uncertainty as to their future recoverability. The deferred tax asset on these losses was not offset against the deferred tax liabilities of the rest of the Group because they are levied by a different tax authority.

The other movements in employee entitlements and property plant and equipment are the transfer of the deferred tax assets of GrabOne Limited to assets held for sale (see note 6.3.1).

Accounting policies

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries 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 provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6.0 GROUP STRUCTURE AND INVESTMENTS IN OTHER ENTITIES

6.1 CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the subsidiaries listed below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interest held equals the voting rights held by the Group. All entities are incorporated in, and operate in, New Zealand unless otherwise stated. There were no changes in control during the year ended 31 December 2020.

	2020 Ownership interest	2019 Ownership interest
Name of entity		
GrabOne Limited [A]	**100%**	100%
NZME Australia Pty Limited [B]	**100%**	100%
NZME Educational Media Limited	**100%**	100%
NZME Holdings Limited	**100%**	100%
NZME Investments Limited	**100%**	100%
NZME Print Limited	**100%**	100%
NZME Publishing Limited	**100%**	100%
NZME Radio Investments Limited	**100%**	100%
NZME Radio Limited [C]	**100%**	100%
NZME Specialist Limited	**100%**	100%
The Hive Online Limited	**100%**	100%
New Zealand Radio Network Limited	**100%**	100%
The Radio Bureau Limited	**100%**	100%
OneRoof Limited	**80%**	80%

[A] GrabOne Limited is classified as held for sale (see note 6.3).

[B] Incorporated in, and operates in, Australia.

[C] One "Kiwi Share" held by the Minister of Finance. The rights and obligations are set out in the NZME Radio constitution.

Accounting policies

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies 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 comprehensives income, statement of changes in equity and balance sheet respectively.

6.2 INTERESTS IN OTHER ENTITIES

6.2.1 Associates, joint ventures and joint operations

The Group has the following associates, joint ventures and joint operations:

	2020 Ownership Interest	2019 Ownership Interest
Name of entity		
Eveve New Zealand Limited [A]	**40%**	40%
KPEX Limited [B]	**0%**	25%
New Zealand Press Association Limited [A]	**38.82%**	38.82%
Restaurant Hub Limited [C]	**38%**	40%
The Beacon Printing & Publishing Company Limited [A]	**21%**	21%
The Gisborne Herald Company Limited (held through Essex Castle Limited as a trust company for NZME Publishing Limited) [A]	**49%**	49%
The Radio Bureau [D]	**50%**	50%
The Wairoa Star Limited [A]	**40.41%**	40.41%
The Newspaper Publishers Association of New Zealand Incorporated [E]		
Online Media Association [E]		
New Zealand Media Council [E]		
Radio Broadcasters Association Incorporated [E]		

[A] These entities are classified as joint ventures or associates, and are accounted for using the equity method in the consolidated financial statements.

[B] KPEX Limited was removed from the New Zealand Companies Register in July 2020.

[C] The shareholding in Restaurant Hub Limited was reduced to 38% on 6 October 2020. Restaurant Hub Limited is classified as a joint venture and is accounted for using the equity method in the consolidated financial statements.

[D] The Radio Bureau is classified as a joint operation and the Group has included its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses in these consolidated financial statements.

[E] These are bodies with which entities in the Group have memberships, but no ownership interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Accounting policies

Associates

Associates are all entities over which the Group has significant influence but not control or joint control. Interests in associates are accounted for in the consolidated financial statements using the equity method (see below), after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

Joint arrangements

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

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

The Group's interests in joint ventures are accounted for using the equity method (see below) after initially being recognised at cost in the consolidated balance sheet.

Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

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

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

6.2.2 Equity accounted investments

	2020 $'000	2019 $'000
Opening balance 1 January	**3,308**	3,788
Share of losses in joint ventures and associates	**(417)**	-
Asset revaluation (Gisborne Herald)	**1,271**	-
Disposal and impairment of investments	**-**	(480)
Total equity accounted investments	**4,162**	3,308

The equity accounted investments are not considered to be material to the Group's operations or results and therefore no disclosures of the summarised financial information for these investments have been made.

The investment in the Gisborne Herald is the most significant of the joint ventures and associates and has increased by the Group's share of the revalued land owned by the Gisborne Herald and not through its share of profits. The revaluation gain on the land has been processed through the equity investments revaluation reserve (see note 4.2).

6.3 ASSETS HELD FOR SALE

Significant judgement: On 16 November 2020 it was announced to the market that Grant Samuel has been appointed to explore divestment options for GrabOne Limited which is therefore classified as held for sale. GrabOne Limited is not considered to be a significant component of the Group or separate major line of business and is therefore not a discontinued operation. Assets held for sale have been determined based on the business being sold as a going concern net of cash. The terms of the ultimate sale may be different from this assumption.

For information purposes additional disclosures in respect of GrabOne Limited's performance are shown in note 6.3.2. The Group's Mt Victoria land and buildings, in Wellington, are also classified as held for sale.

Accounting policies

Non-current assets (or disposal groups) 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.

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 income statement.

6.3.1 Carrying values of net assets held for sale

	2020 $'000
Trade and other receivables	229
Intangible assets	968
Property, plant and equipment	939
Deferred tax asset	29
Assets classified as held for sale	**2,165**
Trade and other payables	6,278
Current tax provision	1,060
Liabilities directly associated with assets classified as held for sale	**7,338**
Net liabilities held for sale	**5,173**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6.3.2 Income statement for GrabOne Limited

	2020 $'000	2019 $'000
Revenue and other income	**8,952**	9,690
Expenses from operations before finance costs, depreciation and amortisation	**(4,574)**	(5,480)
Depreciation and amortisation	**(682)**	(274)
Impairment of intangible assets	**-**	(30)
Profit before income tax expense	**3,696**	3,906
Income tax expense	**(1,039)**	(1,109)
Profit after tax	**2,657**	2,797

6.3.3 Cash flows from GrabOne Limited

	2020 $'000	2019 $'000
Net cash inflows from operating activities	**4,187**	3,403
Reconciliation of net cash inflows from operating activities to profit for the year:		
Profit for the year	**2,657**	2,797
Depreciation and amortisation expense	**682**	274
Change in current / deferred tax payable	**(140)**	734
Impairment of intangible assets	**-**	30
Changes in assets and liabilities net of effect of acquisitions:		
Trade and other receivables	**75**	95
Prepayments	**(112)**	78
Trade and other payables and employee entitlements	**1,025**	(604)
Net cash inflows from operating activities	**4,187**	3,403

7.0 RELATED PARTIES

7.1 KEY MANAGEMENT COMPENSATION

	Note	2020 $'000	2019 $'000
Total remuneration for Directors and other key management personnel:			
Short term benefits		**5,583**	5,110
Termination benefits		**-**	771
Share-based payments	4.2	**1,095**	311
		6,678	6,192

The table above includes remuneration of the Board of Directors and the Executive Team, including amounts paid to members of the Executive Team who left during the year. Where a staff member was acting in a position on the Executive Team, that portion of their remuneration has been included in the table above. The 2019 comparative has been reduced by $333,334 to exclude the value of shares issued on 31 December 2019, in settlement of the 2016 TIP, as this cost was included in the share based payments expense in prior years as the benefit was accrued.

7.2 OTHER TRANSACTIONS WITH RELATED PARTIES

The Beacon Printing & Publishing Company Limited purchased advertising from the Group during the year ended 31 December 2020 totalling $559 (2019: $3,559) and reimbursed $62,077 for paper used in 2019 (2019: $6,200 for paper used in 2018).

KPEX Limited was removed from the Register of Companies on 9 July 2020. The group received advertising revenue of $nil (2019: $1,427,209) and paid commissions of $nil (2019: $156,246).

The Group has commitments to provide future services (such as house advertising, occupancy space at NZME offices, business as usual finance and human resources support) to certain joint ventures and associates. During the year such services were provided to Eveve New Zealand Limited, valued at $27,992 (2019: $98,642) and Restaurant Hub Limited, valued at $12,008 (2019: $10,752). The outstanding balances for future services are included in the table below, along with other receivables and payables.

During the year the Group received advertising revenue from The Wairoa Star Limited totalling $8,288 (2019: $8,931). The Wairoa Star Limited also purchased other services totalling $1,177 (2019: $1,207) from the Group. The Group purchased services from The Wairoa Star Limited totalling $1,583 (2019: $1,286) during the year.

The Group sold its interest in the Chinese New Zealand Herald in December 2019. In 2019 the Group received advertising revenue totalling $89,929 from The Chinese New Zealand Herald Limited during the year and paid commission totalling $42,698.

The Group's transactions with the New Zealand Press Association Limited during the year were $nil (2019: $nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	2020 Receivables $'000	2019 Receivables $'000	**2020 Payables $'000**	2019 Payables $'000
Balances with related party				
Eveve New Zealand Limited	**-**	-	**-**	26
Restaurant Hub Limited	**37**	47	**64**	78
The Wairoa Star Limited	**-**	1	**-**	-
The Beacon Printing & Publishing Company Limited	**-**	1	**-**	-
Total related party receivables and payables	**37**	49	**64**	104

8.0 CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2020.

9.0 SUBSEQUENT EVENTS

The changes to New Zealand's alert levels on 15 February 2021 and 18 February 2021 are discussed in note 1.5.7.

The directors are not aware of any material events subsequent to the balance sheet date.

Independent auditor's report

To the Shareholders of NZME Limited

Our opinion

In our opinion, the accompanying consolidated financial statements of NZME Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 December 2020, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* 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 Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of agreed upon procedures for the benchmarking of market revenue data and the Broadcasting Standards Authority return. The provision of these other services has not impaired our independence as auditor of the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Description of the key audit matter	How our audit addressed the key audit matter

Intangible assets impairment assessment
 	
As at 31 December 2020 the total carrying amount of the Group's indefinite life intangible assets, comprising masthead brands and other brands (the brands), amounts to $101.8 million. Annual impairment testing is required under NZ IFRS.
 	
The NZME business has been identified as a single cash generating unit (CGU) and the brands have therefore been tested for impairment at this level. The Group prepared a discounted cash flow model to assess the recoverable amount of the CGU on a Value-In-Use (VIU) basis.
 	
Impairment testing of the CGU is considered a key audit matter due to the significance of the carrying value of the brands, the inherent judgement involved in performing an impairment assessment and the inherent uncertainty in relation to the continuing impact of the declining print advertising market.
 	
The recoverable amount of the CGU was determined to be greater than the carrying value of the CGU.
 	
It was determined that the increase in the recoverable amount is not directly attributable to the brands and as a result an impairment reversal has not been recognised.
 	
Key judgements and estimates included in the impairment assessment:
• the assessment that the NZME business constitutes one CGU
• expected future trading results and cash flows of the CGU which include, in particular, estimates and assumptions around print, radio and digital revenue forecasts, the sustainability of operating expense restructuring measures undertaken this year
• the discount rate of 9%
• the application of a negative long-term growth rate of 1.5%.
 	
Refer to note 3.1.1 of the consolidated financial statements for further information.
	We performed the following audit procedures in relation to the impairment assessment and key judgements:
	• considered the appropriateness of the one CGU assessment
	• gained an understanding of the forecast outlook for the industry and the strategic direction of the business
	• held discussions with management and understood the processes undertaken and basis for determining the key assumptions in preparing the impairment assessment
	• considered whether the methodologies applied were appropriate
	• performed lookback procedures, comparing actual results achieved against forecasts and industry performance and considered the impact on our assessment of forecast cash flows.
	
	In relation to the recoverable amount determined, we performed the following:
	• tested the mathematical accuracy of the VIU model
	• engaged our auditor's valuation expert to assist us to:
	    ○ assess and challenge the reasonableness of key assumptions, including revenue and operating costs growth rates, the discount rate and terminal growth rate, with reference to external market evidence
	    ○ assess and challenge the impact of the declining print advertising market and digital transformation of the market on forecast earnings
	    ○ consider any changes in the recoverable amounts of individual brands.
	
	In addition, and in conjunction with our auditor's valuation expert, we developed an independent VIU point estimate based on our assessment of key assumptions which we developed with reference to historical performance, industry and other external market evidence where relevant.
	
	Whilst certain inputs determined by us differed to those used by management, our independent point estimate supports the conclusion reached by management.
	
	We also considered the appropriateness of disclosures made.

Recognition of revenue

The recognition of revenue is a key area of focus for our audit.

As set out in notes 2.1 and 2.4.2 to the consolidated financial statements, the Group has significant revenue from advertising, circulation and subscriptions. Other revenue earned consists of external printing, digital classifieds, shared service centre functions and events. Together, these form total revenue from external customers totalling $322.1 million for the year.

Advertising arrangements are often customised and consist of multiple performance obligations and a series of distinct goods and services. It meets the definition for revenue recognition over time in accordance with IFRS 15.

Circulation and subscription revenue are recognised at a point in time as single performance obligations.

Other revenue is recognised over time in accordance with IFRS 15.

Management judgment in the form of estimates are applied in the following areas:

- Measuring progress towards complete satisfaction of a performance obligation
- Allocating the transaction price to performance obligations
- Determining the transaction price in respect of contracts with non-standard consideration.

The recognition of revenue is a judgemental area requiring significant audit focus and attention. As a result we consider it a key audit matter.

Our audit approach for revenue is largely substantive. In responding to the judgments involved in determining whether the revenue has been recognised in accordance with the relevant accounting standards, our audit procedures included:

- updating our understanding of the systems, processes and controls in place over the recognition of revenue
- testing controls over the approval of credit notes
- performing disaggregated risk assessment analytics over all revenue streams
- examining invoices and contracts with customers and ensuring revenue recognition was appropriate based on the terms of the arrangements
- validating that the payment and pricing arrangements supporting the recognition of revenue
- testing the cut-off around the year end to check if revenue was recognised in the correct accounting period
- testing the completeness of revenue by agreeing cash receipts to invoices raised. Additionally, we tested the completeness of advertising revenue by agreeing published and broadcasted advertisements to booking schedules and invoices
- testing the classification of revenue into the disaggregation analysis presented in note 2.1 and 2.4.2
- performing analytical procedures over revenue recognised through the Group's joint operation
- recalculating commission earned from merchant advertising
- testing accounts receivables by requesting confirmation from the Group's customers and by reconciling cash payments received after year end against these confirmations.

As a result of our procedures we have no matters to report.

Our audit approach

Overview

Overall Group materiality: $1,600,000, which represents approximately 0.5% of total revenues.

We chose total revenue as the benchmark because, in our view, it is a key financial metric used in assessing the performance of the Group. We chose 0.5% based on our professional judgement, noting that it is also within the range of commonly accepted thresholds for entities where revenue is considered the appropriate benchmark.

We performed a full scope audit over the consolidated financial information of the Group.

As reported above, we have two key audit matters, being:

- Intangible assets impairment assessment
- Recognition of revenue

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the consolidated financial statements are 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 consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements 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 consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are 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 ISAs (NZ) and ISAs 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 these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's Shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Jonathan Skilton.

For and on behalf of:

Pricewaterhousecoopers

Chartered Accountants
23 February 2021

Auckland

DIRECTORY

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Auckland 1010
New Zealand

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Phone:	+64 9 379 5050
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Email:	Investor_Relations@nzme.co.nz

Auditors
PricewaterhouseCoopers

Principal Bankers
Westpac

Principal Solicitors
Chapman Tripp

Share Registry
Link Market Services

Share Registry Contact Details

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Phone:	+64 9 375 5998
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