Half Year Financial Report and Appendix 4D

HT&E Limited and controlled entities

For the period ended 30 June 2020

Contents

Results for announcement to the market for the half-year ended 30 June 2020

(previous corresponding period: half-year ended 30 June 2019)

Key financial information	June 2020 $'m	June 2019 $'m	Change %
Revenue from ordinary activities	93.0	130.9	(29%)
Other income	6.7	3.7	81%
Revenue and other income	99.7	134.6	(26%)
Net profit/ (loss) attributable to members of the parent	(59.3)	13.3	(>100%)

Group performance for the half-year ended 30 June 2020 was adversely impacted by the economic effects of COVID-19, and continued political unrest in Hong Kong. Impairment charges of $65.7 million were recorded in relation to goodwill, right-of-use assets and an equity accounted investment. Refer to separate market announcement and presentation for further details and commentary on the results for the period.

The directors have determined that no interim dividend will be payable for the year ended 31 December 2020.

Dividends	Amount per share	Franked amount per share	Record date for determining entitlements to dividends	Date dividend payable
Final 2019 dividend	4.6 cents	4.6 cents	2 March 2020	23 March 2020

Net tangible assets per share	June 2020 $'m	December 2019 $'m
Net tangible asset backing per ordinary share*	0.17	0.17

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

Additional Appendix 4D disclosure requirements can be found in the notes to the Interim Financial Report and the Directors' Report for the half-year ended 30 June 2020. Information should be read in conjunction with HT&E Limited's 2019 Annual Report and the attached Interim Financial Report.

This report is based on the Consolidated Interim Financial Report for the half-year ended 30 June 2020 which has been reviewed by PricewaterhouseCoopers with the Independent Auditor's Review Report included in the Interim Financial Report.

Directors' Report

Your Directors present their report on the consolidated entity consisting of HT&E Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2020.

1. DIRECTORS

The Directors of the company at any time during the half-year ended 30 June 2020 or up to the date of this report are as follows. Directors held office for the entire period unless otherwise stated:

Hamish McLennan (Chairman)

Ciaran Davis (CEO & Managing Director)

Roger Amos

Paul Connolly

Belinda Rowe

2. REVIEW OF OPERATIONS

The Group has been affected by the ongoing economic impacts of COVID-19 and political unrest in Hong Kong.

Refer to the Operating and Financial Review included in this report for further information regarding the business impacts, underlying drivers of the results and financial position.

The Directors have determined that it remains appropriate to prepare the financial report on a going concern basis taking into consideration the financial position of the Group for the half year ended 30 June 2020, future payment obligations and available banking facilities.

3. DIVIDENDS

The directors have determined that no interim dividend will be payable for the year ended 31 December 2020.

4. ROUNDING OF AMOUNTS

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

5. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, follows immediately after the Directors' Report.

This report is made in accordance with a resolution of the Directors.

Hamish McLennan

Chairman

20 August 2020
Sydney

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW

PERFORMANCE OVERVIEW

Group revenue from continuing operations decreased $37.8 million on last year, with advertising spend in both Australia and Hong Kong significantly affected by the economic impacts of COVID-19. The disposals of The Roar and digital marketing business, iNC Digital Media, contributed to $3.1 million of the revenue decline, however had minimal impact on Group earnings.

A range of cost control measures were implemented from March 2020 to protect earnings and cash reserves.

Resulting group earnings before exceptionals, interest, tax, depreciation and amortisation (EBITDA) from continuing operations decreased by $18.6 million.

The statutory loss attributable to HT&E shareholders of $59.3 million represented a $72.6 million decrease from last year, impacted by exceptional items in the period of $61.7 million (net of tax), including non-cash impairments in ARN and Cody Outdoor of $64.3 million ($65.7 million before tax), part offset by government wage subsidies (including JobKeeper) of $3.5 million ($4.9 million before tax).

Summary of financial performance

AUD million[1]	June 2020	June 2019	Change
Revenue	93.0	130.9	**(29%)**
Other income	1.3	2.2	**(42%)**
Share of profits of associates	2.6	0.8	**>100%**
Costs	(77.4)	(95.8)	**(19%)**
EBITDA[2]	**19.5**	**38.1**	**(49%)**
Depreciation	(9.1)	(8.6)	**6%**
Amortisation	(0.5)	(0.3)	**54%**
EBIT[3]	**9.9**	**29.2**	**(66%)**
Net interest expense	(1.8)	(0.8)	**>100%**
Profit before tax	**8.1**	**28.3**	**(72%)**
Tax expense	(4.5)	(8.2)	**(46%)**
Profit after tax	**3.6**	**20.1**	**(82%)**
Less: non-controlling interests	(1.2)	(2.0)	**(36%)**
NPAT attributable to HT&E shareholders[4]	**2.4**	**18.1**	**(87%)**
Exceptional items net of tax[5]	(61.7)	(4.8)	**>100%**
NPAT attributable to HT&E shareholders[6]	**(59.3)**	**13.3**	**(>100%)**
EBITDA margin	21.0%	29.1%	
Underlying basic EPS (cents)	0.9	6.3	
Interim dividend per share (cents)	–	4.0	

[1] Totals may not add due to rounding.
[2] EBITDA from continuing operations and before exceptional items, represents the Group's total segment result.
[3] EBIT from continuing operations and before exceptional items.
[4] NPAT from continuing operations and before exceptional items.
[5] Commentary on exceptional items is included in note 1.3 to the consolidated financial statements.
[6] Statutory NPAT from continuing operations after exceptional items.

Directors' Report (continued)

IMPACT OF COVID-19

The Group's Business Continuity Plans were enacted following the government enforced lockdowns in March 2020, allowing Australian Radio Network (ARN) to broadcast unaffected and staff to work remotely without any business interruption. The safety of all staff is paramount, and the Company continues to monitor government advice closely.

From a financial perspective, COVID-19 has resulted in widespread falls in global marketing and advertising activity, with all advertising sectors materially impacted.

The Australian radio sector recorded a total market decline of over 30.9% during the half compared to 2019 (Q1: -12.4%, Q2: -46.6%)[1], with ARN revenues in the first and second quarter declining 7.2% and 46.1% respectively. ARN experienced significant levels of client cancellations and deferrals following the government enforced lockdowns in March, with advertisers moving quickly to preserve capital in direct response to uncertainty created by the worsening pandemic.

In Hong Kong, the impacts of COVID-19 were felt earlier, with advertising revenues at Cody Outdoor (Cody) affected from the start of the period.

Group cost control measures taken in response to COVID-19 amount to largely non-repeat savings over the 2020 financial year of between $11 million to $14 million, across a range of expenditure lines, including;

- Marketing, travel, entertainment, new employee hires and other short-term cost control measures;
- Employee costs where staff have agreed to work on reduced hours for a period of up to 6 months, utilise excess annual leave and in some instances, staff have been stood down; and
- The Board, CEO and management team are taking a 20% pay cut for a period of up to 6 months and will forego all incentive payments for 2020.

The Company has been receiving the JobKeeper government subsidy, which will provide cost relief in addition to those previously outlined of approximately $9 million through to the end of the current subsidy in September. The Company will assess its eligibility to the recently announced extension to the JobKeeper subsidy in due course.

During the period, an impairment of $55.9 million was recorded in relation to ARN and $9.8 million in relation to Cody. This was reflective of the financial under performance of each business relative to the original forecast during the 6 months to 30 June 2020, and a downward revision to forecast cashflows in the short to medium term in response to uncertainty in advertising markets created by COVID-19 (refer to note 2.1, note 2.2 and note 5.3 to the consolidated financial statements for more information). Further, an increase in credit risk saw an increase in the expected credit losses in relation to trade receivables (refer to note 3.2 to the consolidated financial statements for more information).

The Group balance sheet remains very strong with net cash of $89.6 million and access to $251.1 million of undrawn debt facilities at 30 June 2020.

UNDERLYING DRIVERS OF PERFORMANCE

Group revenues were down $37.8 million, with advertising revenues across ARN and Cody adversely impacted by COVID-19.

Despite the significant impact of COVID-19 on the financial performance of the Group, ARN is well positioned as the #1 metropolitan radio network in Australia[2], with ratings successes continuing to deliver commercial share gains and audiences spending significantly more time listening to streaming radio throughout the COVID-19 lockdown period[3].

The disposal of The Roar and digital marketing business, iNC Digital Media contributed to $3.1 million of the revenue decline, however had minimal impact on Group earnings.

Group costs from continuing operations before interest, tax, depreciation and amortisation, and exceptional items were down 19% to $77.4 million, impacted by the previously outlined cost control measures, lower variable cost of sales in a weak advertising market, the disposals of The Roar and iNC Digital Media and the simplification of management and operational structures between HT&E and ARN, which occurred in the second half of 2019.

Segment earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations and before

[1] Source: Commercial Radio Metro Ad Revenue 2020 Deloitte
[2] Source: GfK Radio Ratings Survey 2 2020, SMBAP, People 10+, Mon-Sun 5:30am-12mn, Based on Share
[3] Source: Adswizz Audiometrix and ARN Streaming Logs, Feb 20 – Jun 20

Directors' Report (continued)

exceptional items were down 49% from the corresponding period.

Depreciation and amortisation increased from $9.0 million to $9.6 million. This resulted in EBIT from continuing operations and before exceptional items of $9.9 million compared with $29.2 million in June 2019, a decrease of 66%.

Resulting net profit after tax attributable to shareholders (NPAT) from continuing operations for the period was $2.4 million.

Exceptional items comprise of non-recurring gains and losses arising during the period, including previously outlined non-cash impairments of $65.7 million, benefit of government wage subsidies of $4.9 million and restructuring costs of $0.4 million. Further details are included in note 1.3 to the consolidated financial statements.

FINANCIAL POSITION

The Group had net assets at 30 June 2020 of $463.0 million, which was down $66.9 million on 31 December 2019 driven by non-cash impairments of $65.7 million, impact of COVID-19 on the financial results of the business, in part offset by benefit of government subsidies and equity gains on listed investments.

During the period, HT&E acquired a 4.67% interest in local outdoor advertising company, oOh!media Limited for $18.1 million. The Group intends to support oOh!media as a constructive long-term shareholder.

The ATO Branch tax dispute is ongoing. The deposit of $50.7 million provided to the ATO in 2018, remains a non-current asset on the balance sheet, while the dispute processes are being completed. Consistent with prior year, the Company has recorded provisions for uncertain tax treatments of $33.0 million, in relation to two disputes in the 30 June 2020 balance sheet, with the amount reflecting probability-weighted estimates of the possible outcomes of each uncertainty. The estimates may not reflect the final outcome. Refer to note 4 to the consolidated financial statements for more information.

CASH AND CAPITAL MANAGEMENT

The balance sheet remains strong with net cash of $89.6 million as at 30 June 2020.

The Group retains debt facilities with undrawn limits of $251.1 million, most of which expire in 2024 and are sufficient to cover any adverse outcome on the ongoing disputes with the ATO.

The on-market share buyback continued throughout the period, however at significantly reduced levels reflective of the Company's prudent approach to preserving capital in the current uncertain advertising market.

Operating cash flows and lease payments on a continuing basis were up by $6.6 million on last year, but due mainly to a $13.9 million reduction in tax instalments offset by decline in business performance in the period.

Given the uncertainty in the current operating environment and the need to maintain a strong balance sheet, no interim dividend has been declared. The Company will consider payment of any final dividend at the time of end of year results.

Directors' Report (continued)

Cash flow generation

AUD million[1]	June 2020	June 2019	Change $
Operating cash flows and lease payments[2]	8.3	1.7	6.6
Government subsidies	3.2	–	3.2
Investing cash flows	(18.2)	(4.8)	(13.4)
Net free cash flow[3]	**(6.7)**	**(3.0)**	**(3.7)**
Other financing cash flows	(14.2)	(17.6)	3.5
Cash at the beginning of the year	111.0	128.4	(17.4)
Effect of foreign exchange of the year	0.1	0.0	0.0
Cash at end of year	**90.1**	**107.7**	**(17.6)**
Bank loans	(0.6)	–	(0.6)
Net cash	**89.6**	**107.7**	**(18.1)**

1. Totals may not add due to rounding.
2. Operating cash flows plus principal repayments on finance leases accounted for under AASB 16 *Leases* from 1 January 2019. Lease payments were included in operating cash flows previously.
3. Includes principal repayments on finance leases.

LOOKING AHEAD: RADIO LISTENING CONTINUES TO GROW

Audio consumption continues to expand amongst Australian consumers, with catch-up radio, music streaming and podcasting providing advertisers exciting new ways to reach audiences in a highly targeted and measurable manner, with listening patterns proving complimentary to traditional radio listening.

ARN offers Australia's most complete audio solution to audiences, based on their own choices and interests, across radio, music streaming and podcasting; combined with the strength of the core radio business; ARN is well placed to capitalise on the growth in total audio consumption.

Since the outbreak of the COVID-19 pandemic, radio listenership has continued to increase as commercial radio's average weekly metro audiences climbed by 7.1% to over 11 million people. Latest figures show commercial radio listeners are up by 786,000 people per week, compared to the second official radio survey of the year that was released in April. Commercial radio reached 82.4% of Australians in the latest study, compared to 76.9% in Survey 2 and an average of 77% for all of 2019. Listener numbers increased throughout the day, with breakfast up 1.5%, drive up 5.5% and the afternoon daypart attracting an average weekly audience of nearly 8 million people. Listening at home substantially grew with nearly 65% of people listening at home each week and 59% listened in the car[4].

ARN's digital audio listening has also seen significant growth since the pandemic was declared. Radio streaming has grown by 9% in reach, while the amount of time spent listening has risen dramatically by 23% (June vs December) as the radio stays on for longer during the day[5].

In the first half of the year, ARN launched iHeartRadio Podcast Network Australia and has become the No.1 podcast publisher in the country with over 13 million downloads in June and 4 of the top 10 podcasts in the country[6]. iHeartRadio Podcast Network Australia has grown by 31% since pre COVID-19 to reach new listening highs[7].

ARN's also expanded its digital commercial capability by launching 'Dynamic Audio' technology that delivers more personalised and measurable campaigns for ARN's radio clients. The rollout of Dynamic Audio across AM, FM, DAB+ and iHeartRadio is part of ARN's long-term strategy to expand and diversify its comprehensive commercial offering for clients with more personalised creative campaigns.

The outbreak of COVID-19 has driven the sharpest decline in media advertising experienced in recent history. However, HT&E remains in a strong and stable financial position and is one of the better placed media companies in Australia to explore and potentially capitalise on strategic opportunities that may arise.

4 Source : GfK Radio Ratings: Survey Ave 1-8 2019, Survey 2 2020: M-S 0530-12mn, Commercial Radio, SMBAP, cume % : P10+;
GfK Pulse Study : May-June 2020, M-S 0530-12mn, POL 12mn-12mn, Commercial Radio, SMBAP, cume 000's / %, P10+
5 Source : Adswizz Audiometrix, February to July 2020
6 Source : CRA and Triton, Australian Podcast Ranker : June 2020 of the participating publishers. Combines ARN/iHeartMedia with Audioboom
7 Source : Megaphone Australia, 800k+ devices, February to July 2020

Auditor's Independence Declaration

As lead auditor for the review of HT&E Limited for the half-year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of HT&E Limited and the entities it controlled during the period.

Louise King
Partner
PricewaterhouseCoopers

Sydney
20 August 2020

About Interim Financial Statements

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

The interim financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. The interim financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the most recent annual report and any public announcements made by the Company, during the interim reporting period and up to the date of this report in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

The interim financial statements were approved for issue on 20 August 2020.

The financial statements have been reviewed, not audited.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of the new and amended accounting standards set out in note 6.2.

SIGNIFICANT EVENTS IN THE CURRENT REPORTING PERIOD

COVID-19

The Directors and Management have assessed the impact of COVID-19 on the Group for the half-year period 30 June 2020, with focus on value of assets, recognition and measurement of liabilities and sources of estimation uncertainty. Further detail of this assessment is provided in the following notes to the interim financial statements:

Accounting for government subsidies and grants	Note 1.1
Intangible assets	Note 2.1
Leases	Note 2.2
Receivables	Note 3.2
Investments accounted for using the equity method	Note 5.3

KEY JUDGEMENTS AND ESTIMATES

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next six month period and subsequent years are discussed below:

(I) Impairment

During the period, there were indicators that the carrying amounts of Australian Radio Network goodwill, associate investment in Perth radio station (Nova 93.7FM), and HK Outdoor goodwill and right-of-use assets may exceed the recoverable amounts, so impairment testing was performed. Refer to note 2.1, note 2.2 and note 5.3 for details regarding the impairment tests performed.

Goodwill and other non-amortising intangible assets

The Group test annually, or when impairment indicators are identified, whether goodwill and other non-amortising intangible assets have suffered any impairment, in accordance with the Group accounting policy. The recoverable amounts of cash generating units have been determined based on the higher of fair value less costs to sell, or value in use calculations. These calculations require the use of assumptions.

About Interim Financial Statements (continued)

Tangible and intangible assets

The Group assesses at the end of each period whether there is any indication that tangible and intangible assets may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

Right-of-use assets

Whenever changes in circumstances indicate that the right-of-use asset carrying amount may exceed its recoverable amount, the Group applies judgement when testing whether right-of-use assets have suffered any impairment. An impairment charge is recognised for the amount by which the right-of-use asset's carrying amount exceeds its recoverable amount. Right-of-use assets that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

Investments in associates or joint ventures

The net investment in an associate or joint venture is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment charge is recognised for the amount by which the carrying value of the investment exceeds its recoverable amount. Investments that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

(II) Income Taxes

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

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Consolidated Statement of Comprehensive Income

For the period ended 30 June 2020

	Note	June 2020 $'000	June 2019 $'000
Revenue from continuing operations	1.1	93,043	130,875
Other revenue and income	1.1	6,657	3,684
Total revenue and other income		99,700	134,559
Expenses from continuing operations before impairment, finance costs, depreciation and amortisation	1.2	(78,019)	(97,448)
Impairment of intangible assets	2.1	(54,178)	–
Impairment of right-of-use assets	2.2	(7,093)	–
Associate impairment and related closure costs	1.3	(4,394)	(5,273)
Finance costs	1.2	(2,264)	(2,309)
Depreciation and amortisation	1.2	(9,639)	(8,966)
Share of profits of associates	5.3	2,554	843
Profit/(loss) before income tax	1.3	(53,333)	21,406
Income tax expense	4.1	(4,598)	(6,059)
Profit/(loss) for the year		(57,931)	15,347
Other comprehensive income			
Items that may be reclassified to profit or loss			
Net exchange difference on translation of foreign operations		596	(58)
Share of associate's other comprehensive income		463	–
Reclassification of foreign currency translation reserve to profit and loss on closure of foreign operations		(123)	–
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity investments recorded at fair value through other comprehensive income	5.2	4,959	–
Other comprehensive income, net of tax		5,895	(58)
Total comprehensive income		(52,036)	15,289
Profit/(loss) for the year is attributable to:			
Owners of the parent entity		(59,270)	13,346
Non-controlling interests		1,339	2,001
Profit/(loss) for the year		(57,931)	15,347
Total comprehensive income is attributable to:			
Owners of the parent entity		(53,375)	13,288
Non-controlling interests		1,339	2,001
		(52,036)	15,289
		Cents	Cents
Earnings per share			
Basic/diluted earnings per share	1.4	(21.2)	4.7

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

Consolidated Balance Sheet

As at 30 June 2020

	Note	June 2020 $'000	December 2019 $'000
Current assets			
Cash and cash equivalents		90,142	110,972
Receivables	3.2	35,509	45,700
Tax assets	4.1	16,576	3,339
Other current assets		2,982	3,990
Total current assets		145,209	164,001
Non-current assets			
Shares in other corporations	5.2	25,657	37,346
Investments accounted for using the equity method	5.3	51,580	17,314
Property, plant and equipment		19,360	22,132
Intangible assets	2.1	374,347	427,397
Right-of-use assets	2.2	38,071	51,003
Deposit of tax in dispute, net of provision	4.1	10,643	20,670
Other non-current assets		5,066	5,456
Total non-current assets		524,724	581,318
Total assets		669,933	745,319
Current liabilities			
Payables		18,558	24,092
Contract liabilities		5,226	5,552
Lease liabilities	2.2	14,619	14,315
Provisions		12,856	12,817
Total current liabilities		51,259	56,776
Non-current liabilities			
Lease liabilities	2.2	38,305	44,816
Bank loans	3.1	561	–
Provisions		4,924	5,184
Deferred tax liabilities	4.1	111,882	108,638
Total non-current liabilities		155,672	158,638
Total liabilities		206,931	215,414
Net assets		463,002	529,905
Equity			
Contributed equity	3.4	1,483,172	1,483,685
Reserves		(38,775)	(43,743)
Accumulated losses		(1,018,162)	(946,536)
Total parent entity interest		426,235	493,406
Non-controlling interests		36,767	36,499
Total equity		463,002	529,905

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

Consolidated Statement of Cash Flows

For the period ended 30 June 2020

	Note	June 2020 $'000	June 2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		113,532	137,225
Payments to suppliers and employees (inclusive of GST)		(89,594)	(107,755)
Receipts of government subsidies and grants		3,161	–
Dividends received		188	204
Interest received		749	875
Interest paid		(2,281)	(1,646)
Income taxes paid		(6,775)	(20,629)
Net cash inflows from operating activities		18,980	8,274
Cash flows from investing activities			
Payments for property, plant and equipment		(770)	(5,295)
Payments for software		(382)	(24)
Net increase in investments	5.1	(18,073)	–
Net loans from/ (to) associates		316	(1,250)
Net loans repaid by other entities		726	2,287
Investment in associates		–	(500)
Net cash outflows from investing activities		(18,183)	(4,782)
Cash flows from financing activities			
Proceeds from borrowings	3.1	587	–
Payments for borrowing costs		–	(29)
Principal elements of lease payments		(7,511)	(6,529)
Payments for treasury shares		(333)	(2,537)
Dividends paid to shareholders	3.5	(12,840)	(11,424)
Payments for share buyback	3.4	(513)	(1,221)
Net payments to non-controlling interests		(1,071)	(2,428)
Net cash outflows from financing activities		(21,681)	(24,168)
Change in cash and cash equivalents		(20,884)	(20,676)
Cash and cash equivalents at beginning of the year		110,972	128,355
Effect of exchange rate changes		54	22
Cash and cash equivalents at end of the year		90,142	107,701

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

Consolidated Statement of Changes in Equity

For the period ended 30 June 2020

	Note	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2019		1,492,555	(43,809)	(913,478)	535,268	36,864	572,132
Change in accounting policy – lease accounting		–	–	(3,587)	(3,587)	–	(3,587)
Restated total equity at the beginning of the period		1,492,555	(43,809)	(917,065)	531,681	36,864	568,545
Profit for the period		–	–	13,346	13,346	2,001	15,347
Other comprehensive income		–	(58)	–	(58)	–	(58)
Transfers within equity		–	70	(70)	–	–	–
Share-based payments		–	162	–	162	–	162
Share buy-back	3.4	(1,221)	–	–	(1,221)	–	(1,221)
Treasury shares vested to employees		–	477	–	477	–	477
Dividends paid	3.5	–	–	(11,424)	(11,424)	–	(11,424)
Acquisition of treasury shares		–	(2,537)	–	(2,537)	–	(2,537)
Transactions with non-controlling interests		–	–	–	–	(2,428)	(2,428)
Balance at 30 June 2019		1,491,334	(45,695)	(915,213)	530,426	36,437	566,863
Balance at 1 January 2020		1,483,685	(43,743)	(946,536)	493,406	36,499	529,905
Profit/(loss) for the period		–	–	(59,270)	(59,270)	1,339	(57,931)
Other comprehensive income		–	5,895	–	5,895	–	5,895
Transfers within equity		–	(484)	484	–	–	–
Share-based payments		–	(1,027)	–	(1,027)	–	(1,027)
Treasury shares vested to employees		–	917	–	917	–	917
Share buy-back	3.4	(513)	–	–	(513)	–	(513)
Dividends paid	3.5	–	–	(12,840)	(12,840)	–	(12,840)
Acquisition of treasury shares		–	(333)	–	(333)	–	(333)
Transactions with non-controlling interests		–	–	–	–	(1,071)	(1,071)
Balance at 30 June 2020		1,483,172	(38,775)	(1,018,162)	426,235	36,767	463,002

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

Notes to the Consolidated Financial Statements

1 GROUP PERFORMANCE

1.1 REVENUES

	Note	June 2020 $'000	June 2019 $'000
Revenue and other income			
Advertising revenue		90,370	126,981
Services revenue		2,586	3,857
Other revenue		87	37
Total Revenue		93,043	130,875
Dividend income		188	204
Government subsidies and grants	1.3	4,913	–
Other		1,104	2,006
Other income		6,205	2,210
Interest income		452	1,474
Total other revenue and income		6,657	3,684
Total revenue and other income		99,700	134,559

Revenue recognised in the period ended 30 June 2020 that was included in the contract liabilities balance as at 1 January 2020 is $5.6 million (2019: $10.8 million).

ACCOUNTING POLICY

Subsidies from relevant governments compensates the Group for employee benefits expense incurred and is recognised in profit or loss on a systematic basis in the period in which the expense is recognised.

During the period, Australian domiciled entities within the Group were eligible for the JobKeeper subsidy from the Australian government, and Hong Kong entities within the Group were eligible for the Hong Kong Government Employment Support Scheme subsidy. These have been recorded within Other Income.

Notes to the Consolidated Financial Statements (continued)

1.2 EXPENSES

	Note	June 2020 $'000	June 2019 $'000
Employee benefits expense		46,187	50,678
Production and distribution expense		7,683	10,537
Selling and marketing expense		13,120	21,595
Rental and occupancy expense		3,086	5,005
Professional fees		2,236	3,312
Repairs and maintenance costs		948	876
Travel and entertainment costs		547	1,254
Loss on sale of business		350	–
Redundancies and associated costs		398	1,663
Other expenses		3,464	2,528
Total expenses before impairment, finance costs, depreciation and amortisation		78,019	97,448
Interest – lease liabilities		1,161	1,074
Interest and finance charges		841	898
Borrowing costs amortisation		262	337
Total finance costs		2,264	2,309
Depreciation – right-of-use assets		7,420	6,738
Depreciation – other assets		1,715	1,902
Amortisation		504	326
Total depreciation and amortisation		9,639	8,966

ACCOUNTING POLICY

The Group has elected to apply the practical expedient in the IFRS 16 *Leases* amendment. In applying the practical expedient, the Group has not assessed whether COVID-19 related rent concessions are lease modifications and have not treated these as such. These concessions have been treated as a variable lease payment.

Notes to the Consolidated Financial Statements (continued)

1.3 SEGMENT INFORMATION

(I) DESCRIPTION OF SEGMENTS

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

Reportable segment	Principal activities
Australian Radio Network	Metropolitan radio networks, on-demand radio, streaming and podcasting (Australia)
HK Outdoor	Billboard, transit and other outdoor advertising (Hong Kong)
Digital Investments	Includes controlling interests in Emotive Pty Limited (creative agency) and equity accounted investment in Soprano Design Pty Limited (software vendor for secure messaging services)

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

HT&E Events Pty Limited and Unbnd Group Pty Ltd are included in the Digital Investments segment in 2019. The Group's investment in Unbnd Group Pty Ltd was disposed of on 19 September 2019, while HT&E Events Pty Limited was wound down in 2019.

During the period the Group's 50% interest in Nova Entertainment (Perth) Pty Ltd became an associate (refer to note 5.3). The Group's share of profits continues to be recorded in the Australian Radio Network segment.

Notes to the Consolidated Financial Statements (continued)

1.3 SEGMENT INFORMATION (CONTINUED)

(II) RESULTS BY OPERATING SEGMENT

The segment information provided to the Directors and senior management team for the period ended 30 June 2020 is as follows:

2020 $'000	Australian Radio Network	HK Outdoor	Digital investments	Corporate	Group elimination	Total
Revenue from external customers	83,068	7,732	2,243	–	–	93,043
Share of profits of associates	582	–	1,972	–	–	2,554
Segment result	18,087	3,459	2,097	(4,121)	–	19,522
Reconciliation of segment result to loss before income tax						
Segment result						19,522
Depreciation and amortisation [A]						(9,639)
Net finance costs						(1,812)
Government subsidies and grants [B]						4,913
Impairment of intangible assets [C]						(54,178)
Impairment of right-of-use assets [D]						(7,093)
Associate impairment [E]						(4,394)
Redundancies and associated costs [F]						(398)
Loss on sale of business [G]						(350)
Onerous contract provision adjustment [H]						542
Reclassification of foreign currency translation reserve to profit and loss on closure of foreign operations						(446)
Loss before income tax from continuing operations						(53,333)

Explanation of statutory adjustments

(A) Consists of depreciation of $9.1 million and amortisation of $0.5 million (refer to note 1.2).
(B) Refers to the Australian Government JobKeeper subsidy and Hong Kong Government Employment Support Scheme subsidy received by the Group during the period. Refer to note 1.1 for more information.
(C) Impairment of HK Outdoor ($2.7 million) and Australian Radio Network ($51.5 million) goodwill. Refer to note 2.1 for more information.
(D) Impairment of HK Outdoor right-of-use assets relating to Advertising Concession Agreements. Refer to note 2.2 for more information.
(E) Impairment of the Group's investment in Nova Entertainment (Perth) Pty Ltd. Refer to note 5.3 for more information.
(F) Restructuring costs associated with the Australian Radio Network resulting from a review of the Company's operating model and senior management needs.
(G) Costs not deemed recoverable in relation to the disposal of The Roar Sports Media Pty Ltd, which was effective 31 January 2020.
(H) Remeasurement of the provision for financial guarantee costs related to Unbnd Group Pty Ltd, a joint venture which was disposed on 19 September 2019.

Notes to the Consolidated Financial Statements (continued)

1.3 SEGMENT INFORMATION (CONTINUED)

(II) RESULTS BY OPERATING SEGMENT (CONTINUED)

2019 $'000	Australian Radio Network	HK Outdoor	Digital investments	Corporate	Group elimination	Total
Revenue from external customers	115,036	13,460	2,379	–	–	130,875
Share of profits of associates	–	–	843	–	–	843
Segment result	37,325	6,936	724	(6,842)	–	38,143
Reconciliation of segment result to profit before income tax						
Segment result						38,143
Depreciation and amortisation A						(8,966)
Net finance costs						(835)
Associate impairment and related closure costs B						(5,273)
Redundancies and associated costs C						(1,663)
Profit before income tax from continuing operations						21,406

Explanation of statutory adjustments

(A) Consists of depreciation of $8.6 million and amortisation of $0.3 million (refer to note 1.2).

(B) Refers to impairment of the associate interest in HT&E Events Pty Limited ($685,000), write-down of loan to HT&E Events ($4,050,000) and costs relating to the funding of the business until the end of 2019 ($538,000), following the decision to close Gfinity Esports Australia in June 2019.

(C) Restructuring costs associated with Australian Radio Network and Corporate subsequent to the sale of Adshel in 2018.

1.4 EARNINGS PER SHARE

	June 2020 $'000	June 2019 $'000
(a) Reconciliation of earnings used in calculating earnings per share (EPS)		
Profit/(loss) from continuing operations attributable to owners of the parent entity	(59,270)	13,346
Profit/(loss) attributable to owners of the parent entity used in calculating basic/diluted EPS	(59,270)	13,346

	Number	Number
(b) Weighted average number of shares		
Weighted average number of shares used as the denominator in calculating basic EPS	279,979,513	285,345,013
Weighted average number of treasury shares	(8,497)	(670,815)
Adjusted for calculation of diluted EPS		
Unvested rights	78,679	944,641
Weighted average number of shares used as the denominator in calculating diluted EPS	280,049,695	285,618,839

While rights have been issued to Key Management Personnel under the 2019 TIP scheme, there is no certainty these rights will vest, and if they do, it is the Company's current intention to satisfy any rights by acquiring shares on market, consistent with recent practice.

Notes to the Consolidated Financial Statements (continued)

2 OPERATING ASSETS AND LIABILITIES

2.1 INTANGIBLE ASSETS

IMPAIRMENT TEST OF CGUS INCLUDING INDEFINITE LIFE INTANGIBLE ASSETS

Due to the economic impacts associated with COVID-19, comprehensive impairment tests were conducted at 30 June 2020. The recoverable amount of each cash generating unit (CGU) that includes goodwill or indefinite life intangible assets was reviewed.

Below is the allocation of goodwill and other non-amortising intangible assets to CGUs as at period-end, subsequent to the impairment test:

Name of CGU	June 2020 Goodwill $'000	June 2020 Other non-amortising intangible assets $'000	Dec 2019 Goodwill $'000	Dec 2019 Other non-amortising intangible assets $'000
Australian Radio Network	–	367,445	51,494	367,451
HK Outdoor	–	–	3,116	–
Emotive	490	–	490	–
Total goodwill and other non-amortising intangible assets	490	367,445	55,100	367,451

In the Australian Radio Network CGU, goodwill was fully impaired ($51,494,000) at 30 June 2020. In the HK Outdoor CGU, remaining goodwill was fully impaired ($2,684,000) and right-of-use assets related to advertising concession agreements were part impaired ($7,093,000) (refer to note 2.2).

The impairments recorded in Australian Radio Network and HK Outdoor CGU's are the result of the financial underperformance of each business relative to the original forecast during the six months ended 30 June 2020, and a downward revision to forecast future cashflows in the short to medium term in response to uncertainty in advertising markets created by COVID-19.

The recoverable amounts of the Australian Radio Network and HK Outdoor CGUs were estimated based on value in use calculations, using management budgets and forecasts for a 5 year period, after adjusting for central overheads.

Notes to the Consolidated Financial Statements (continued)

2.1 INTANGIBLE ASSETS (CONTINUED)

The key assumptions used to calculate the recoverable amount are as follows:

(i) Cash flows

Year 1 cash flows	Based on Board approved annual budget for 2020, adjusted for forecasted impacts of COVID-19 derived with reference to a range of internal and relevant external industry data and analysis.
Years 2, 3, 4 and 5 cash flows	Revenue forecasts are prepared based on management's current assessment for each CGU, with consideration given to internal information and relevant external industry data and analysis. In general: • market growth in the Australian Radio Network CGU is forecast across the cash flow period. The revenue forecast assumes the Australian radio market will return to historical 2019 levels within the forecast period, and the Australian Radio Network CGU will gain some additional market share or reclaim lost market share through continued investment in content, marketing and operations; • market growth in the HK Outdoor CGU is forecast across the cash flow period. The revenue forecast assumes the HK Outdoor CGU will return to historical 2019 levels within the forecast period. Future yield growth in the existing asset base is also assumed; • expenses are forecast on a detailed basis, based on their nature. Variable costs are forecast to move in line with revenue movements. Personnel costs are forecast to move in line with headcount and adjusted for expected inflation. Other costs are forecast based on management expectations, considering existing contractual arrangements; and • management have considered the impact of the Hong Kong protests and civil unrest within the cash flow forecast for the HK Outdoor CGU. Management will continue to monitor the Hong Kong economic climate for other factors which may have a financial impact on the HK Outdoor CGU.
Terminal value cash flows	Cash flows are extrapolated at growth rates not exceeding the long-term average growth rate for the industry in which the CGU operates.

(ii) Discount rate and long-term growth rate

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

Name of CGU	June 2020 Post-tax discount rate	June 2020 Pre-tax discount rate	June 2020 Long-term growth rate	Dec 2019 Post-tax discount rate	Dec 2019 Pre-tax discount rate	Dec 2019 Long-term growth rate
Australian Radio Network	10.0%	13.0%	2.0%	10.0%	13.6%	2.0%
HK Outdoor	11.2%	12.7%	2.0%	10.0%	12.4%	2.0%

The HK Outdoor discount rate has been increased to reflect a current market assessment of the time value of money and risks specific to Hong Kong, including impacts associated with the recent civil unrest experienced over the past 12 months.

Notes to the Consolidated Financial Statements (continued)

2.1 INTANGIBLE ASSETS (CONTINUED)

(iii) Estimation uncertainty and key assumptions

Value in use calculations are highly sensitive to changes in certain key assumptions. With limited market-based data sources against which to benchmark key economic indicators on a forward-looking basis management has exercised judgement when determining the duration, severity and impact of the macroeconomic scenarios used by the Group. For the Australian Radio Network CGU, the carrying value is supported by value in use calculations.

The below illustrates how a reasonable possible change in estimates and assumptions can give rise to a further impairment charge. The additional impairment charge or headroom for the Australian Radio Network CGU would change by the following based on changes made in isolation to the key assumptions below:

In $'000s	Discount rate change		Long-term growth rate change		Terminal EBITDA forecast change	
Name of CGU	+0.5%	-0.5%	+0.5%	-0.5%	+1%	-1%
Australian Radio Network	(30,683)	34,838	25,837	(22,801)	4,201	(4,201)

2.2 LEASES

As a lessee, the Group leases several assets including property, advertising spaces, motor vehicles and other equipment. The average lease term is 4 years (2019: 4 years).

	June 2020 $'000	December 2019 $'000
Property	22,016	23,788
Advertising concession agreements	15,634	26,632
Motor vehicle and other	421	583
Total right-of-use assets	38,071	51,003
Current	14,619	14,315
Non-current	38,305	44,816
Total lease liabilities	52,924	59,131

During the period, HK Outdoor Advertising concession agreement right-of-use assets were impaired by $7.1 million. Refer to section below for further information.

Additions to the right-of-use assets during the 2020 half year amounted to $0.3 million (2019: $15.9 million).

IMPAIRMENT TEST OF ADVERTISING CONCESSION AGREEMENTS

At the reporting date, there were indications that the carrying amount of HK Outdoor Advertising Concession Agreements may exceed their recoverable amount, so an impairment test was performed.

As a result of the testing performed, an impairment charge of $7.1 million was recognised in the period.

The impairment of $7.1 million was based on a discounted cash flow analysis over the contractual period for right-of-use assets, which takes into account the financial underperformance of specific advertising concession agreements relative to the original forecast during the six months ended 30 June 2020, and a downward revision to forecast future cash flows in the short to medium term in response to uncertainty in advertising markets created by COVID-19.

Estimation uncertainty and key assumptions

Following the impairment in the period, the carrying amount of HK Outdoor right-of-use assets equals the recoverable amount, and consequently any negative change to key assumptions in the calculation would give rise to a further impairment charge. A 10% deterioration to cashflows across each year of the forecast period would result in a further impairment of approximately $1.1 million to HK Outdoor right-of-use assets.

Notes to the Consolidated Financial Statements (continued)

3 CAPITAL MANAGEMENT

3.1 BANK LOANS

	June 2020 $'000	December 2019 $'000
Non-current bank loans		
Bank loans – unsecured	561	–
Total non-current bank loans[(i)]	561	–
Net debt [(i)]		
Non-current bank loans	561	–
Cash and cash equivalents	(90,142)	(110,972)
Net cash	(89,581)	(110,972)

[(i)] The drawn bank loan is denominated in Hong Kong dollars. The majority of the unsecured debt facility expires in January 2024.

3.2 FINANCIAL RISK MANAGEMENT

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

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

Since 31 December 2019, COVID-19 has negatively affected world economies and financial markets and contributed to a decline in revenues across many industries, including media. Credit risk has increased while market risk has not changed materially from the prior period. Liquidity risk continues to be monitored through rolling forecasts of the Group's expected cash flows and managed through maintenance of sufficient cash and committed credit facilities, which remain largely undrawn at the end of the reporting period.

MARKET RISK

(i) Cash flow and fair value interest rate risk

As at 30 June 2020, the Group had $0.6 million of long-term borrowings outstanding and $90.1 million of cash and cash equivalents. The Group is exposed to interest rates risk through its cash and cash equivalents balance. A change of +/- 1% per annum with all other variables being constant would impact equity and net profit by $0.6 million. The parent entity has no significant exposure to a change in interest rates.

(ii) Foreign exchange risk

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

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

(iii) Price risk

Price risk refers to the risk of a decline in the value of a security or a portfolio. While the Group does have equity investments in listed securities (refer to note 3.3), the Group is not exposed to significant price risk.

Notes to the Consolidated Financial Statements (continued)

3.2 FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Group credit risk principally arises from customer receivables, cash and cash equivalents, deposits with banks and financial guarantees (refer to note 6.1 for details).

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

Impairment of financial assets - trade receivables

The Group applies the AASB 9 *Financial Instruments* simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The economic impacts of COVID-19 have contributed to an increase in credit risk among customers and as such the expected credit loss provision matrix has been adjusted in the period to reflect the increased risk of impairment.

To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the ECL rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The carrying amount of receivables as at reporting date was as follows:

	June 2020 $'000	December 2019 $'000
Trade receivables	31,134	44,155
Loss allowance	(1,389)	(550)
	29,745	43,605
Other receivables	5,764	2,095
Total receivables	35,509	45,700

The loss allowance determined for trade receivables as at reporting date was as follows:

	June 2020 $'000	December 2019 $'000
Opening loss allowance as at 1 January	550	529
Expected credit losses recognised in profit or loss	881	96
Receivables written off as uncollectible	(42)	(75)
Closing loss allowance	1,389	550

Notes to the Consolidated Financial Statements (continued)

3.2 FINANCIAL RISK MANAGEMENT (CONTINUED)

The aging of trade receivables that were not impaired at the end of the reporting date was as follows:

	June 2020 $'000	December 2019 $'000
Current	26,357	41,181
Past due less than 1 month	2,434	1,471
Past due 1 to 3 months	1,655	814
Past due 3 to 6 months	356	456
Past due over 6 months	332	233
Trade receivables	31,134	44,155

LIQUIDITY RISK

Entities in the Group have access to the following undrawn borrowing facilities at the end of the reporting date:

Entities in the Group have access to:	June 2020 $'000	December 2019 $'000
Loan facilities (i)		
Unsecured bank loan facilities	259,344	259,146
Amount of facility utilised (ii)	(8,291)	(9,150)
Amount of available facility	251,053	249,996
Overdraft facilities		
Unsecured bank overdraft facilities	1,500	1,500
Amount of credit utilised	–	–
Amount of available credit	1,500	1,500

(i) Pertaining to the revolving cash advance facility with a majority of the facility expiring in January 2024.
(ii) Relating to bank loan and guarantees drawn.

Notes to the Consolidated Financial Statements (continued)

3.3 FAIR VALUE MEASUREMENTS

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

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

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2020 and 31 December 2019:

June 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
Financial assets				
Financial assets at fair value through profit and loss				
Shares in other corporations	–	–	493	493
Financial assets at fair value through other comprehensive income				
Shares in other corporations	25,164	–	–	25,164
Total financial assets	25,164	–	493	25,657
Non-financial assets				
Freehold land and buildings				
Freehold land	–	–	2,391	2,391
Buildings	–	–	916	916
Total non-financial assets	–	–	3,307	3,307

December 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
Financial assets				
Financial assets at fair value through profit and loss				
Shares in other corporations	–	–	37,346	37,346
Total financial assets	–	–	37,346	37,346
Non-financial assets				
Freehold land and buildings				
Freehold land	–	–	2,391	2,391
Buildings	–	–	937	937
Total non-financial assets	–	–	3,328	3,328

Notes to the Consolidated Financial Statements (continued)

3.3 FAIR VALUE MEASUREMENTS (CONTINUED)

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

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

The fair value of bank loans approximates the carrying amount.

During the period, the Group purchased shares in oOh!media Limited (OML), which are held at fair value through other comprehensive income. As OML is listed on the Australian Stock Exchange (ASX), the fair value is determined by reference to the quoted price. Refer to note 5.2 for more information.

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

The fair value of lease liabilities is estimated by discounting the minimum lease payments at the Group's incremental borrowing rate. For the period ended 30 June 2020, the borrowing rates were determined to be between 3.4% and 5.2% per annum, depending on the type of lease.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for shares in other corporations that are measured through profit and loss which are valued using discount rates, forecast cash flows, EBITDA multiples estimated by management based on comparable transactions and industry data. Refer to note 5.2 for more information on the fair value measurement of shares in other corporations.

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

During the financial period, a fair value adjustment of $0.7 million (2019: $1.7 million) was recorded in other income for shares in other corporations. There were no other material level 3 fair value movements during the year.

Notes to the Consolidated Financial Statements (continued)

3.4 CONTRIBUTED EQUITY

	June 2020 $'000	December 2019 $'000
Issued and paid up share capital	1,483,172	1,483,685

(A) MOVEMENTS IN CONTRIBUTED EQUITY DURING THE FINANCIAL YEAR

	June 2020 Number of shares	December 2019 Number of shares	June 2020 $'000	December 2019 $'000
Balance at beginning of the year	280,229,160	285,598,399	1,483,685	1,492,555
Share buy-back (i)	(385,890)	(5,369,239)	(513)	(8,870)
Balance at end of the period	279,843,270	280,229,160	1,483,172	1,483,685

(i) During the period to 30 June 2020, the Company purchased and cancelled on-market 385,890 shares (2019: 5.4 million). The shares were acquired at an average price of $1.33 per share (2019: $1.65).

3.5 DIVIDENDS

	June 2020 $'000	June 2019 $'000
Final dividend for the year ended 31 December 2019 of 4.6 cents per share, fully franked, paid on 23 March 2020 (2018: 4.0 cents).	12,840	11,424
Paid in cash	12,840	11,424
Total dividends	12,840	11,424
Dividends not recognised at the end of half year		
The Directors have determined that no interim dividend will be payable (2019: 4.0 cents).	–	11,352

Notes to the Consolidated Financial Statements (continued)

4 TAXATION

4.1 INCOME TAX AND DEFERRED TAX

NEW ZEALAND BRANCH MATTER

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

The amended assessments are for the financial years ended 31 December 2009 to 31 December 2015 inclusive and HT&E has been advised the ATO intends to expand its position to the year ended 31 December 2016.

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

In summary, the ATO's current position in relation to this matter involves $102.5 million of tax adjustments plus $49 million of penalties plus $27.5 million of shortfall interest along with an additional $5.5 million of general interest having accrued. This $33 million of interest has been taken has been deducted in the income tax return for 31 December 2018, and an amount of $10.0 million has been recorded as a Current Tax Asset with an offsetting amount recorded in the 'Deposit of tax in Dispute' account on the balance sheet. Should the Company successfully litigate or settle the New Zealand branch matter, the interest would be remitted and treated as income in that future year.

The issue of amended assessments represents a formalisation of the ATO's position. HT&E has lodged objections with the ATO regarding the assessments for the years ended 31 December 2009 to 31 December 2016 inclusive, and objections to the penalties and interest assessments. The ATO is yet to reach a decision on these objections.

While these dispute processes are being completed, the taxpayer is typically required to deposit with the ATO 50% of the tax in dispute. The deposit, totalling $50.7 million, was paid in two instalments, with $35.7 million paid on 15 February 2018 and $15.0 million paid on 25 May 2018.

The Company continues to consult with its advisers. The Company remains satisfied that its treatment of the New Zealand branch matter is consistent with relevant taxation legislation and will if necessary, contest the matter through litigation proceedings. The potential outcomes include resolution through litigation or settlement, which may involve no payment, or payment of either a portion or the entire amount at risk.

OTHER MATTERS: NEW ZEALAND FINANCING ARRANGEMENT AND LOAN FORGIVENESS

The ATO is also auditing other matters within the Group covering the financial years ended 31 December 2010 to 31 December 2013 inclusive.

One matter involved a financing arrangement involving the Company's former New Zealand operations. This legacy financing arrangement was effectively unwound in 2016 (with the demerger of NZME Limited) and is unrelated to the New Zealand branch matter above. The ATO has disputed the tax treatment of this financing arrangement.

A second matter involved a loan forgiveness that occurred in 2012. The ATO has issued an Initial Position Paper, indicating that it would apply the market value substitution rules to the loan forgiveness, with the tax adjustment being $5.8 million. Interest would also apply on any tax assessed. The ATO may also seek to impose penalties in respect of the taxes in dispute. HT&E disagrees with the position taken and is satisfied its treatment is consistent with relevant taxation legislation.

As at the date of this report, while there is no certainty, no further adjustments or disputes are anticipated to be raised by the ATO as a result of any matters under review in this audit.

Notes to the Consolidated Financial Statements (continued)

4.1 INCOME TAX AND DEFERRED TAX (CONTINUED)

AASB INTERPRETATION 23: UNCERTAINTY OVER INCOME TAX TREATMENTS

AASB Interpretation 23 *Uncertainty over Income Tax Treatments* applies for annual reporting periods beginning from 1 January 2019 and clarifies the application of the recognition and measurement criteria where there is uncertainty over income tax treatments.

In respect of the New Zealand branch matter, given the range of possible outcomes and in light of recent correspondence and discussions with the ATO and consultation with the Company's advisers, AASB Interpretation 23 has been applied using the sum of the probability-weighted amounts to predict the resolution of the uncertainty. A provision of $30.0 million has been recorded in respect of the New Zealand branch matter in line with the requirements of AASB Interpretation 23. This figure is unchanged from 31 December 2019 and is an estimate involving judgement of the probability-weighted amounts and may not reflect the final outcome.

In respect of the New Zealand financing arrangement, similarly given the range of possible outcomes and in light of recent correspondence and discussions with the ATO and consultation with the Company's advisers, AASB Interpretation 23 has been applied using the sum of the probability-weighted amounts to predict the resolution of the uncertainty. A provision of $3.0 million has been recorded in respect of the New Zealand financing arrangement in line with the requirements of AASB Interpretation 23. This figure is unchanged from 31 December 2019 and is an estimate involving judgement of the probability-weighted amounts and may not reflect the final outcome.

In respect of the loan forgiveness, no tax expense has been recorded under AASB Interpretations 23.

INCOME TAX EXPENSE

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the Australian Tax Consolidated Group for the six months to 30 June 2020 is 28.5%, compared to 29.1% for the six months to 30 June 2019.

Reconciliation of tax expense to profit/(loss) before tax:

	June 2020 $'000	June 2019 $'000
Income tax expense differs from the prima facie tax as follows		
Profit/(loss) before income tax expense	(53,333)	21,406
Prima facie income tax at 30%	(16,000)	6,422
Difference in international tax treatments and rates	1,600	(81)
Non-deductible impairment charge	17,221	–
Non-deductible amortisation	–	205
Loss on disposal of business	105	–
Unrecognised tax losses/ (tax losses realised)	537	(78)
Reclass foreign currency translation reserve to income statement	135	–
Share of profits of associates	(766)	(253)
Other	28	95
(Over)/under-provision in prior years	1,738	(251)
Income tax expense	4,598	6,059

Notes to the Consolidated Financial Statements (continued)

5 GROUP STRUCTURE

5.1 INTERESTS IN OTHER ENTITIES

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

Name of entity	Place of business	Country of incorporation	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities
			June 2020	Dec 2019	June 2020	Dec 2019	
Brisbane FM Radio Pty Ltd	Australia	Australia	50%	50%	50%	50%	Commercial radio

5.2 SHARES IN OTHER CORPORATIONS

	June 2020 $'000	December 2019 $'000
Shares in other corporations	25,657	37,346

The Group purchased shares in oOh!media Limited (OML) and designated the investment as fair value through other comprehensive income. The shares are not held for sale. The investment in OML was revalued as at 30 June 2020, and a $5.0 million fair value gain, net of tax, was recognised in the other comprehensive income. Refer to note 3.3 for more information on determining the fair value.

The Group's historical investment in Nova 93.7 became an associate on 1 March 2020. Refer to note 5.3 for further details.

The remaining Level 3 investments are not material to the Group.

Notes to the Consolidated Financial Statements (continued)

5.3 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Set out below are the associates of the Group as at 30 June 2020. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	Ownership interest June 2020	Ownership interest Dec 2019	Nature of relationship	Measurement method	Consolidated carrying values June 2020 $'000	Consolidated carrying values Dec 2019 $'000
Soprano Design Pty Limited	Australia	25%	25%	Associate(i)	Equity method	19,749	17,314
Nova Entertainment (Perth) Pty Ltd	Australia	50%	50%	Associate(ii)	Equity method	31,831	–

(i) Soprano Design Pty Limited specialises in the development and provision of world leading mobile messaging and wireless application infrastructure. The interest in this business was acquired in 2001.
(ii) On 1 March 2020, Nova Entertainment (Perth) Pty Ltd, an FM radio station in Perth, became an associate of the Group. The Group's interest in the entity was previously classified as an equity investment within Shares in Other Corporations.

	June 2020 $'000	June 2019 $'000
Total investments accounted for using the equity method	51,580	19,103
Share of profits of associates and joint ventures (i)	2,554	843

(i) Share of profits from joint ventures, included HT&E Events Pty Limited and Unbnd Group Pty Ltd, which were disposed in late 2019. The current year result includes Nova Entertainment (Perth) Pty Ltd, from 1 March 2020.

ASSOCIATE INTEREST IN NOVA 93.7FM

The Group holds a 50% interest in Nova Entertainment (Perth) Pty Ltd (Nova 93.7FM), which was established in 2002. This investment in Nova 93.7FM has historically been held as a financial asset with fair value remeasurements through profit or loss (refer to note 5.2).

During the period, management revisited the judgements and assumptions related to Nova 93.7FM and concluded that there had been a change in circumstances such that the Group now had significant influence over Nova 93.7FM and that the entity was an associate, effective from 1 March 2020. The Group's current level of oversight and interest in Nova 93.7FM, subsequent to recent structural and organisational changes, has contributed to the change in circumstances.

Initial recognition of an associate is at cost. As an accounting policy, the Group has elected to use fair value as the deemed cost at 1 March 2020, the date Nova 93.7FM became an associate. The fair value, or deemed cost, of the associate at 1 March 2020 was $35,959,000. This amount was reclassed out of Shares in Other Corporations.

Notes to the Consolidated Financial Statements (continued)

5.3 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(i) Impairment test of investment in Nova 93.7FM

At the reporting date, there were indications that the carrying amount of the Group's investment in Nova 93.7FM may exceed its recoverable amount, so an impairment test was performed. As a result of the testing performed, an impairment charge of $4,394,000 was recognised in the period.

The recoverable amount of Nova 93.7FM was estimated based on a value in use calculation, using management budgets and forecasts for a 5 year period.

The impairment was the result of the financial underperformance of the business relative to the original forecast during the six months ended 30 June 2020, and a downward revision to forecast future cashflows in the short to medium term in response to uncertainty in advertising markets created by COVID-19.

The cash flow assumptions are based on:

- a board approved annual budget for 2020, adjusted for forecasted impacts of COVID-19 derived with reference to a range of internal and relevant external industry data and analysis.
- revenue forecasts, which consider internal information and relevant external industry data and analysis which include:
  - market growth across the cash flow period. The revenue forecast assumes the Australian Radio market will return to historical 2019 within the forecast period, and Nova 93.7FM will maintain market share or reclaim lost market share through continued investment in content, marketing and operations.
- expense forecasts, which are prepared on a detailed basis based on their nature. Variable costs are forecast to move in line with revenue movements. Personnel costs are forecast to move in line with headcount and adjusted for expected inflation. Other costs are forecast based on management expectations, considering existing contractual arrangements.
- growth rates for cash flows beyond 5 years, which are extrapolated at rates not exceeding the long-term average growth rate for the industry in which Nova 93.7FM operates.

(ii) Estimation uncertainty and key assumptions

At 30 June 2020 the carrying value of the Group's investment in Nova 93.7FM equalled its value in use calculation. The impairment calculation is therefore sensitive to changes in certain key assumptions, with any negative change giving rise to a further impairment charge. The below illustrates how a reasonable possible change in certain estimates and assumptions, in isolation, can give rise to a change in the impairment calculated:

	Discount rate change		Long-term growth rate change		Terminal EBITDA forecast change	
In $'000s	+0.5%	-0.5%	+0.5%	-0.5%	+1%	-1%
Change in impairment calculated	(1,908)	2,164	1,587	(1,401)	243	(243)

Notes to the Consolidated Financial Statements (continued)

6 OTHER

6.1 CONTINGENT LIABILITIES

The parent entity and all wholly-owned controlled entities have provided guarantees in respect of banking facilities. As at 30 June 2020, the facilities had been drawn to the extent of $8,291,000 (31 December 2019: $9,150,000), of which $7,730,000 million relate to bank guarantees.

The Company has provided a financial guarantee in relation to Unbnd Group Pty Ltd (Unbnd), a joint venture which was disposed on 19 September 2019. The maximum exposure to the Group in relation to this guarantee as at 30 June 2020 was $4,168,000 (31 December 2019: $4,897,000) and the amount, plus other associated costs, has been presented in the balance sheet as a provision based on the likelihood of settlement.

The Group did not have any other contingent liabilities as at 30 June 2020 (31 December 2019: $nil).

CLAIMS

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

6.2 OTHER SIGNIFICANT ACCOUNTING POLICIES

A) NEW AND AMENDED ACCOUNTING STANDARDS ADOPTED BY THE GROUP

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at the end of the year ended 31 December 2019. The changes in the accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2020.

New conceptual framework

In March 2018 the IASB issued a new *Conceptual Framework for Financial Reporting* and *Amendments to References to the Conceptual Framework in IFRS Standards*. The new conceptual framework contains new definition and recognition criteria for assets, liabilities, income and expenses where the criteria are not inconsistent with a specific requirement of an accounting standard.

Following this, the AASB has issued an equivalent conceptual framework as well as AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework* which sets out to amend Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the conceptual framework. This amendment applies to annual reporting periods commencing on or after 1 January 2020. The Group has assessed that there is no material impact on the Group in the current period or prior periods.

B) STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

There are no standards and interpretations that are not yet effective and that are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

6.3 SUBSEQUENT EVENTS

The Directors are not aware of any matter or circumstance that has arisen since 30 June 2020 that has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 11 to 34 are in accordance with the *Corporations Act 2001*, including:

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

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial half year ended on that date; and

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

This declaration is made in accordance with a resolution of the Directors.

Hamish McLennan
Chairman

Sydney
20 August 2020

Independent Auditor's Report

pwc

Independent auditor's review report to the members of HT&E Limited

REPORT ON THE HALF-YEAR FINANCIAL REPORT

We have reviewed the accompanying half-year financial report of HT&E Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 30 June 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

DIRECTORS' RESPONSIBILITY FOR THE HALF-YEAR FINANCIAL REPORT

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of HT&E Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENCE

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

CONCLUSION

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of HT&E Limited is not in accordance with the *Corporations Act 2001* including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the half-year ended on that date;

(ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Independent Auditor's Report

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE REVIEWED HALF-YEAR FINANCIAL REPORT

This review report relates to the half-year financial report of the Company for the half-year ended 30 June 2020 included on HT&E Limited's web site. The Company's directors are responsible for the integrity of the HT&E Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide a conclusion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

Louise King
Partner

Sydney
20 August 2020

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