Half Year Financial Report and Appendix 4D

HT&E Limited and controlled entities

For the period ended 30 June 2019

Contents

Results for announcement to the market for the half-year ended 30 June 2019
(previous corresponding period: half-year ended 30 June 2018)

AS REPORTED

	June 2019 $'m	June 2018 $'m	Change %
Revenue from continuing activities	130.9	137.0	(4%)
Revenue from discontinued operations [(i)]	-	98.9	(100%)
Revenue from ordinary activities	130.9	235.9	(45%)
Net profit attributable to members of the parent entity [(ii)]	13.3	27.2	(51%)

[(i)] Revenue from discontinued operations in the prior period includes revenues from Adshel, which was sold to oOh!Media in September 2018.
[(ii)] The decrease in net profit attributable to members of the parent entity is primarily due to sale of Adshel, in September 2018. The adoption of AASB 16 *Leases* from 1 January 2019 contributed in part to the decrease. Refer to note 6.3 in the financial statements for further details.

Refer to separate market announcement and presentation for further details and commentary on the results for the period.

Dividends	Amount per share	Franked amount per share	Record date for determining entitlements to dividends	Date dividend payable
Final 2018 dividend	4.0 cents	4.0 cents	25 February 2019	15 March 2019
Interim 2019 dividend	4.0 cents	4.0 cents	21 August 2019	13 September 2019

Net tangible assets per share	June 2019 $'m	December 2018 $'m
Net tangible asset backing per ordinary share	0.47	0.49
Net asset backing per ordinary share	1.86	1.87

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 2019.

1. DIRECTORS

The Directors of the company at any time during the half-year ended 30 June 2019 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 (appointed 5 February)

2. REVIEW OF OPERATIONS

Refer to Operating and Financial Review included in this report.

3. DIVIDENDS

The Directors have declared a dividend of 4.0 cents per ordinary share fully franked, to be paid for the half-year ended 30 June 2019. The record date for the dividend is 21 August 2019 and the dividend will be payable on 13 September 2019.

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

14 August 2019
Sydney

Directors' Report

OPERATING AND FINANCIAL REVIEW

Performance overview

HT&E Limited's (HT&E) statutory profit attributable to shareholders from continuing operations and before exceptional items for the first half to 30 June 2019 was $18.1 million, compared to a profit of $13.5 million in 2018, an increase of 34%. Earnings per share on the same basis increased 45% to 6.3 cents per share.

Revenues from continuing operations decreased 4% to $130.9 million driven by a softer radio market in Australia, and the non-renewal at the end of 2018 of a material revenue contract in Hong Kong. The Australian metro radio market was challenging, particularly during the first quarter, when sector revenue was down 3.1% on prior year. Federal election advertising assisted the market in the second quarter, which was down 1.7%. Overall the radio market was down 2.4% in the first half. Against this, Australian Radio Network (ARN) measured market revenue declined 4.7%. Hong Kong revenue was down 17% compared to prior year due to the aforementioned contract non-renewal; conditions have softened somewhat after a positive first quarter as the escalating protests impact advertiser appetite.

HT&E adopted AASB 16 *Leases* during the first half using the modified retrospective approach. Operating leases were capitalised onto HT&E's balance sheet and are now recognised as "Right-of-Use" assets and lease liabilities. Rental payments have effectively been recharacterised as Depreciation and Financing Costs. The modified retrospective approach means comparative results have not been adjusted. More information on the adoption of AASB 16 is contained in the notes to the half-year accounts and in HT&E's first half investor presentation released on 14 August 2019.

Group costs from continuing operations before interest, tax, depreciation and amortisation, and exceptional items were down 13% to $95.8 million. The adoption of AASB 16 resulted in rental "savings" of $7.6 million in the half, most of which arose in Hong Kong. Including the impact of AASB 16 costs at ARN were down 6% to $77.8 million. Savings were achieved at ARN from lower variable cost of sales in the softer advertising market, and marketing savings achieved in the half. Ignoring the effect of AASB 16, costs at ARN would have been down 4% to $79.1 million. Costs in Hong Kong (including the impact of AASB 16) declined 59% (on a local currency basis) to $6.5 million driven by the non-renewed contract and the impact of AASB 16 adoption. Ignoring the effect of AASB 16, costs in Hong Kong would have been down 21% (on a local currency basis) to $12.6 million. Corporate costs declined 11% in the first half as a result of group simplification, with further savings expected to be secured in the second half in line with our aim to reduce corporate costs and simplify the management and operational structures between HT&E and ARN as we focus on building on our audio strategy.

As a result, EBITDA from continuing operations and before exceptional items increased by 26% to $38.1 million in the first half. Depreciation and amortisation increased from $2.7 million to $9.0 million, essentially due to the adoption of AASB 16. This resulted in EBIT from continuing operations and before exceptional items of $29.2 million compared with $27.6 million in 2018, an increase of 6%. Normalising for the impact of the adoption of AASB 16, EBITDA and EBIT would be up 1% and 3% respectively.

Net cash interest income related to continuing operations of $0.2 million was derived in the first half, compared to an expense of $4.1 million in 2018. This was due to the repayment of all drawn debt in 2018, and the cost associated with undrawn funding facilities being more than offset by interest income on cash held. With the adoption of AASB 16, HT&E incurred $1.1 million in finance expense associated with operating leases. Total interest expense was therefore $0.8 million in the half, down 80% on the previous corresponding period. The effective tax rate remained steady at approximately 30%.

Exceptional costs (net of tax) of $4.8 million were incurred in the first half. These related to corporate and ARN team restructuring charges incurred largely as a consequence of the sale of Adshel in 2018, and the decision taken to close Gfinity eSports Australia. As a result, statutory profit attributable to shareholders from continuing operations for the first half to 30 June 2019 was $13.3 million, compared to a profit of $14.9 million in 2018.

Net cash of $107.7 million was on hand at 30 June 2019. Approximately $12.6 million was utilised during the half on the ongoing share buyback and the 2018 final dividend. $5.3 million in capital expenditure was incurred in the first half, much of which related to moving ARN's offices in Brisbane and ongoing technology updates.

Directors' Report

Australian Radio Network

In a radio market down 2.4% in the first half, ARN revenue was down 3.8% year on year to $115.0 million. First quarter revenue performance was weak, falling 5% behind the equivalent period in 2018; conditions improved somewhat early in the second quarter before softening again in May and June. Despite this, second quarter revenue was in line with strong prior year comps, and ahead of markets' 1.7% decline. Cost of sales declined in line with revenue, while operating costs were favourably impacted by marketing savings and recharacterisation of rental expenses on the adoption of AASB 16, offset by contracted talent cost increases and some continued capability investment. Reported EBITDA was in line with last year post adoption of AASB 16; ignoring the impact of lease accounting, EBITDA would have been down 3%.

Audience consumption of audio continues to evolve, and ARN's strategy is to create a complete audio experience in one place. Our strong broadcast brands continue to grow audiences and drive value, while digital platforms are extending audience reach. We are investing in technology and data capability to enhance personalization through targeted advertising; the iHeartRadio platform is core to creating a unique audience experience in this regard. With the licence extended to 2036, iHeartRadio brings broadcast radio and on-demand audio together in a single environment in a way that cannot be replicated by our peers.

Talent and content remain at the center of our strategy. We continue to focus on growing ratings and gaining revenue share by recruiting and retaining the best radio talent in Australia.

Pleasingly, after a softer survey 1 result in 2019, we saw steady improvement over surveys 2 and 3, and a solid result in survey 4. The ARN network of KIIS and Pure Gold are reaching record numbers per week – over 5 million listeners – up from 2018.

In Sydney, ARN retained the number one and two FM breakfast shows with KIIS 106.5 holding #1 for the seventh consecutive survey, and WSFM retaining #2 FM breakfast and overall station. KIIS 101.1 in Melbourne recorded its highest station audience since 2014 and biggest audience in breakfast since 2015, while GOLD 104.3 achieved #2 FM station overall. In Adelaide MIX102.3 maintained #1 FM breakfast and overall station, its 25th consecutive win. Improvement in Brisbane saw 97.3FM and 4KQ hold equal #2 overall station.

Beyond broadcast radio, ARN's content consumption continues to grow. In survey 4, ARN's The Edge was #2 Sydney DAB+ station having held #1 or #2 all year. While iHeartRadio houses Australia's most comprehensive library of podcasts, sourced from both local and international libraries, improving discoverability remains a key opportunity; the promotion of certain podcasts on-air saw a significant increase in listening during the first half, extending the engagement of audiences from prime time into other parts of the day. iHeartRadio app downloads now exceed 1.9 million with more than 1.3 million registered users. Usage of iHeartRadio on smart speakers has grown, unassisted by promotion, to approximately half a million hours per month. Increased listening hours and advertising fill rates have driven 48% revenue growth on the iHeartRadio platform in the first half, and further investment in these areas is expected to generate further growth.

Directors' Report

Other

HT&E's strategic focus and future direction is absolutely clear: we are first and foremost a radio and audio business with an objective to create Australia's most complete audio offering. We will consider investments in adjacencies that are aligned with that strategy. A number of HT&E's existing investments are being reviewed to determine how they could better integrate into the existing audio business, and if not, what alternatives may be available to maximise shareholder value in the short to medium term. We will continue to update investors as that review develops.

Cody (HK Outdoor)

After a positive first quarter of 2019, the outdoor media sector in Hong Kong has softened as a result of the recent protests. Revenue was also impacted by the non-renewal of a significant site concession at the end of 2018. Despite these two factors, the business delivered a strong first half result, with EBITDA of HKD 38.4 million for the half. Revenue was down 17% year on year to HKD 74.6 million, and costs were down 59% to HKD 36.1 million. This was assisted by the adoption of AASB 16 which saw HKD 33.6 million in costs recharacterized from rental costs, with a corresponding increase in depreciation and interest of HKD 30.5 million and HKD 3.8 million respectively. On a like for like basis EBITDA was up 203% on last year.

HT&E Events

Esports remains a very exciting industry with global interest and activity. HT&E believes esports will become a mainstream and significant content-audience-commercial medium in the long term. Gfinity Esports Australia (HT&E ~ 35% effective interest via HT&E Events) has been at the forefront of this in Australia and has achieved some significant and world-leading results from the Elite Series in 2018 and Rocket League Oceanic Masters in 2019. The upcoming Gfinity Supercars Eseries is expected to deliver new and engaging experiences for both motoring and gaming enthusiasts alike.

Despite these results and progress achieved to date, the economics of esports in the Australian market are yet to yield the sustainable, positive earnings we require from our investments. We expect that further time and capital will be required to achieve this, with no certainty on when positive contribution might be achieved. The shareholders of Gfinity Esports Australia have therefore formed the conclusion that while the macro environment for esports remains positive, the cash investment and time to achieve break-even is likely to be prolonged. The shareholders have therefore decided to close the business at the end of 2019 once current commitments have been fulfilled. As a result HT&E's net investment in Gfinity Esports Australia (via HT&E Events) has been impaired at 30 June 2019, with an exceptional charge of $5.3m taken to the Profit and Loss.

Soprano Design

Soprano Design (HT&E ~ 25%) continued its strong performance in the first half, delivering its best ever six months. Revenue and EBITDA for the January to June 2019 period were $31.8 million and $7.3 million respectively, up 22% and 17% respectively on prior corresponding period. All regions performed strongly, with 27% growth in the company's well-established Asia Pacific operations the stand-out. HT&E's share of associate net profit in the first half was $1.4 million. No dividends were declared by Soprano in the six months.

Directors' Report

FINANCIAL PERFORMANCE

The financial performance has been calculated in accordance with Australian Accounting Standards (AASBs). This is the first interim report in which AASB 16 *Leases* has been applied. Under the transition method chosen, comparative information has not been restated. The H1 2019 results are therefore not directly comparable to prior years.

	Segment result		Exceptional items		Statutory result	
AUD million[5]	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018
Revenue	130.9	137.0	-	-	130.9	137.0
Other income before finance income	2.2	3.2	-	-	2.2	3.2
Share of associates' profits	0.8	0.0	-	-	0.8	0.0
Costs	(95.8)	(109.8)	(6.9)	1.4	(102.7)	(108.4)
EBITDA[1]	38.1	30.4	(6.9)	1.4	31.2	31.7
Depreciation and amortisation[2]	(9.0)	(2.7)	-	-	(9.0)	(2.7)
EBIT[3]	29.2	27.6	(6.9)	1.4	22.2	29.0
Net interest expense[4]	(0.8)	(4.1)	-	-	(0.8)	(4.1)
Tax	(8.2)	(7.4)	2.2	0.0	(6.1)	(7.4)
Profit from continuing operations	20.1	16.1	(4.8)	1.3	15.3	17.5
Profit from discontinued operations	-	4.1	-	8.2	-	12.4
NPAT	20.1	20.2	(4.8)	9.6	15.3	29.8
Profit attributable to HT&E shareholders	18.1	17.6	(4.8)	9.6	13.3	27.2
Non-controlling interest	2.0	2.6	-	-	2.0	2.6
NPAT	20.1	20.2	(4.8)	9.6	15.3	29.8
Profit from continuing operations	20.1	16.1	(4.8)	1.3	15.3	17.5
Less non-controlling interest	(2.0)	(2.6)	-	-	(2.0)	(2.6)
Profit from continuing operations attributable to HT&E Shareholders	18.1	13.5	(4.8)	1.3	13.3	14.9

1. Earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations and before exceptional items, represents Group's total segment result. EBITDA for the period ended 30 June 2019 increased by $7.6 million as a result of the change in lease accounting policy. Refer to note 6.3 for further details.
2. Depreciation for the period ended 30 June 2019 increased by $6.7 million as a result of the change in lease accounting policy. Refer to note 1.2 and 6.3 for further details.
3. Earnings before interest and tax (EBIT) from continuing operations and before exceptional items.
4. Interest for the period ended 30 June 2019 increased by $1.1 million as a result of the change in lease accounting policy. Refer to note 1.2 and 6.3 for further details.
5. Totals may not add due to rounding.

Directors' Report

The following table summarises the impact of adopting AASB 16 *Leases* on the financial performance of the Group. Changes to significant accounting policies and the impact of applying the new standard are described in note 6.3.

AUD million[2]	Result without adoption of AASB 16	Lease adjustment AASB 16[1]	As reported
Australian Radio Network	36.0	1.4	37.3
HK Outdoor	0.9	6.1	6.9
Investments and Corporate	(6.3)	0.1	(6.1)
EBITDA	30.6	7.6	38.1
Depreciation and amortisation	(2.2)	(6.7)	(9.0)
Net interest expense	0.2	(1.1)	(0.8)
NPBT	28.6	(0.3)	28.3

1. The lease adjustments have resulted in an improvement in EBITDA through a reduction in rental expense.
2. Totals may not add due to rounding.

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Auditor's Independence Declaration

As lead auditor for the review of HT&E Limited for the half-year ended 30 June 2019, 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
14 August 2019

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

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 14 August 2019.

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 6.3.

SIGNIFICANT EVENTS IN THE CURRENT REPORTING PERIOD

New Leasing Standard AASB 16 *Leases*

The financial position and performance of the Group was particularly affected by the adoption of the new leasing standard on 1 January 2019. Refer to note 6.3 for further details.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(I) Impairment

The Company assesses at the end of each period whether there is any indication that goodwill and other non-amortising intangible assets may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. Further, the Company annually tests 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.

(II) Income Taxes

The Company 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.

Consolidated Income Statement

FOR THE PERIOD ENDED 30 JUNE 2019

	Note	June 2019 $'000	June 2018 $'000
Revenue from continuing operations	1.1	**130,875**	136,951
Other revenue and income	1.1	**3,684**	3,258
Total revenue and other income		**134,559**	140,209
Expenses from continuing operations before impairment, finance costs, depreciation and amortisation	1.2	**(97,448)**	(108,384)
Associate impairment and related closure costs	1.3	**(5,273)**	–
Finance costs	1.2	**(2,309)**	(4,218)
Depreciation and amortisation	1.2	**(8,966)**	(2,745)
Share of profits of associates	5.2	**843**	13
Profit before income tax	1.3	**21,406**	24,875
Income tax expense	4.1	**(6,059)**	(7,424)
Profit for the year from continuing operations		**15,347**	17,451
Profit for the year from discontinued operations	6.1	**–**	12,360
Profit for the year		**15,347**	29,811
Profit for the year is attributable to:			
Owners of the parent entity		**13,346**	27,214
Non-controlling interests		**2,001**	2,597
Profit for the year		**15,347**	29,811

	Note	Cents	Cents
Earnings per share from continuing operations			
Basic/Diluted earnings per share	1.4	**4.7**	3.8
Earnings per share from continuing and discontinued operations			
Basic/Diluted earnings per share	1.4	**4.7**	5.1

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

*The Group has initially applied AASB 16 *Leases* at 1 January 2019. Under the modified retrospective transition method chosen, comparative information has not been restated. Refer to note 6.3.

Consolidated Statement of Comprehensive Income

FOR THE PERIOD ENDED 30 JUNE 2019

	Note	June 2019 $'000	June 2018 $'000
Profit for the year		**15,347**	29,811
Items that may be reclassified to profit or loss			
Net exchange difference on translation of foreign operations		**(58)**	1,301
Net gain on fair value hedges		**–**	266
Other comprehensive income, net of tax		**(58)**	1,567
Total comprehensive income		**15,289**	31,378
Total comprehensive income is attributable to:			
Owners of the parent entity		**13,288**	28,781
Non-controlling interests		**2,001**	2,597
		15,289	31,378
Total comprehensive income is attributable to owners of the parent entity arises from:			
Continuing operations		**13,288**	15,302
Discontinued operations		**–**	13,479
		13,288	28,781

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

Consolidated Balance Sheet

AS AT 30 JUNE 2019

	Note	June 2019 $'000	December 2018 $'000
Current assets			
Cash and cash equivalents		**107,701**	128,355
Receivables		**60,789**	55,177
Current tax receivable		**3,053**	–
Other current assets		**2,554**	2,265
Total current assets		**174,097**	185,797
Non-current assets			
Shares in other corporations	3.1	**34,825**	35,403
Investments accounted for using the equity method	5.2	**19,103**	18,829
Property, plant and equipment		**19,901**	16,650
Intangible assets	2.1	**429,094**	429,585
Right-of-use assets	6.3	**54,959**	–
Deposit of tax in dispute	4.1	**50,670**	50,670
Other non-current assets		**8,477**	11,188
Total non-current assets		**617,029**	562,325
Total assets		**791,126**	748,122
Current liabilities			
Payables		**25,100**	24,250
Contract liabilities		**8,927**	10,773
Current tax liabilities	4.1	**140**	11,566
Provisions		**6,510**	6,983
Lease liabilities	6.3	**12,579**	–
Total current liabilities		**53,256**	53,572
Non-current liabilities			
Payables		**–**	610
Lease liabilities	6.3	**49,995**	–
Provisions		**4,521**	4,250
Deferred tax liabilities	4.1	**116,491**	117,558
Total non-current liabilities		**171,007**	122,418
Total liabilities		**224,263**	175,990
Net assets		**566,863**	572,132
Equity			
Contributed equity	3.2	**1,491,334**	1,492,555
Reserves		**(45,695)**	(43,809)
Accumulated losses		**(915,213)**	(913,478)
Total parent entity interest		**530,426**	535,268
Non-controlling interests		**36,437**	36,864
Total equity		**566,863**	572,132

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

*The Group has initially applied AASB 16 *Leases* at 1 January 2019. Under the modified retrospective transition method chosen, comparative information has not been restated. Refer to note 6.3.

Consolidated Statement of Cash Flows

FOR THE PERIOD ENDED 30 JUNE 2019

	Note	June 2019 $'000	June 2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**137,225**	254,065
Payments to suppliers and employees (inclusive of GST)		**(107,755)**	(208,752)
Dividends received		**204**	328
Interest received		**875**	125
Interest paid		**(572)**	(4,050)
Income taxes paid		**(20,629)**	(24,998)
Deposit of tax in dispute		**–**	(50,670)
Net cash inflows/(outflows) from operating activities		**9,348**	(33,952)
Cash flows from investing activities			
Payments for property, plant and equipment		**(5,295)**	(8,904)
Payments for software		**(24)**	(2,995)
Proceeds from sale of property, plant and equipment		**–**	58
Payments for other intangible assets		**–**	(4)
Net loans repaid by other entities		**2,287**	1,715
Loans to joint ventures		**(1,250)**	(3,250)
Investment in associates		**(500)**	–
Dividends received from associates		**–**	1,250
Net cash outflows from investing activities		**(4,782)**	(12,130)
Cash flows from financing activities			
Proceeds from borrowings		**–**	86,000
Repayments of borrowings		**–**	(29,730)
Payments for borrowing costs		**(29)**	–
Principal elements of lease payments	6.3	**(7,603)**	–
Payments for treasury shares		**(2,537)**	(197)
Dividends paid to shareholders	3.3	**(11,424)**	(12,357)
Payments for share buyback		**(1,221)**	–
Net payments to non-controlling interests		**(2,428)**	(3,039)
Net cash (outflows)/inflows from financing activities		**(25,242)**	40,677
Change in cash and cash equivalents		**(20,676)**	(5,405)
Cash and cash equivalents at beginning of the year		**128,355**	18,773
Effect of exchange rate changes		**22**	103
Cash and cash equivalents at end of the year		**107,701**	13,471

The above Consolidated Statement of Cash Flows includes cash flows from continuing and discontinued operations and should be read in conjunction with the accompanying notes.

*The Group has initially applied AASB 16 *Leases* at 1 January 2019. Under the modified retrospective transition method chosen, comparative information has not been restated. Refer to note 6.3.

Consolidated Statement of Changes in Equity

FOR THE PERIOD ENDED 30 JUNE 2019

	Note	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2018		1,531,567	(50,712)	(895,095)	**585,760**	36,919	**622,679**
Profit for the period		–	–	27,214	**27,214**	2,597	**29,811**
Other comprehensive income		–	1,567	–	**1,567**	–	**1,567**
Transfers within equity		–	(99)	99	**–**	–	**–**
Share-based payments expense		–	(649)	–	**(649)**	–	**1,013**
Treasury shares vested to employees		–	779	–	**779**	–	**779**
Dividends paid	3.3	–	–	(12,357)	**(12,357)**	–	**(12,357)**
Acquisition of treasury shares		–	(197)	–	**(197)**	–	**(197)**
Transactions with non-controlling interests		–	–	–	**–**	(3,039)	**(3,039)**
Balance at 30 June 2018		1,531,567	(49,311)	(880,139)	**602,117**	36,477	**638,594**
Balance at 1 January 2019		1,492,555	(43,809)	(913,478)	**535,268**	36,864	**572,132**
Change in accounting policy – lease accounting	6.3	–	–	(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 expense		–	162	–	162	–	162
Share buy-back	3.2	(1,221)	–	–	(1,221)	–	(1,221)
Treasury shares vested to employees		–	477	–	477	–	477
Dividends paid	3.3	–	–	(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

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 2019 $'000	June 2018 $'000
Revenue and other income			
Advertising revenue		**126,981**	132,986
Services revenue		**3,857**	3,890
Other revenue		**37**	75
Total Revenue		**130,875**	136,951
Gains on financial assets held at fair value through profit or loss		**1,657**	2,403
Dividend income		**204**	328
Other		**349**	432
Other income		**2,210**	3,163
Interest income		**1,474**	95
Total other revenue and income		**3,684**	3,258
Total revenue and other income		**134,559**	140,209
From discontinuing operations			
Total revenue and other income	6.1	**–**	99,003

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

	June 2019 $'000		June 2018 $'000	
	Australia	Asia	Australia	Asia
Timing of revenue recognition				
Over time				
Broadcast revenue	**104,555**	**–**	109,736	–
Advertising revenue	**12,823**	**9,603**	12,316	10,934
At a point in time				
Services revenue	**–**	**3,857**	–	3,890
Other revenue	**37**	**–**	75	–
Total	**117,415**	**13,460**	122,127	14,824

Notes to the Consolidated Financial Statements

1.2 EXPENSES

	Note	June 2019 $'000	June 2018 $'000
From continuing operations			
Employee benefits expense		**50,678**	50,733
Production and distribution expense		**10,537**	9,586
Selling and marketing expense		**21,595**	24,979
Rental and occupancy expense		**5,005**	14,974
Repairs and maintenance costs		**876**	938
Travel and entertainment costs		**1,254**	1,550
Redundancies and associated costs		**1,663**	–
Other costs (i)		**–**	(1,367)
Other expenses		**5,840**	6,991
Total expenses before impairment, finance costs, depreciation and amortisation		**97,448**	108,384
Interest – lease liabilities	6.3	**1,074**	–
Interest and finance charges		**898**	3,691
Borrowing costs amortisation		**337**	527
Total finance costs		**2,309**	4,218
Depreciation – right-of-use assets	6.3	**6,738**	–
Depreciation – other assets		**1,902**	2,364
Amortisation		**326**	381
Total depreciation and amortisation		**8,966**	2,745
From discontinued operations			
Total expenses	6.1	**–**	81,121

(i) Refer to note 1.3 for further details

Notes to the Consolidated Financial Statements

1.3 SEGMENT INFORMATION

(I) DESCRIPTION OF SEGMENTS

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

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

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

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

(II) RESULTS BY OPERATING SEGMENT

The segment information provided to the Directors and senior management team for the period ended 30 June 2019 is as follows:

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(i)	37,325	6,936	724	(6,842)	–	**38,143**
Reconciliation of segment result to profit before income tax						
Segment result(i)						**38,143**
Depreciation and amortisation(i) A						**(8,966)**
Net finance costs(i)						**(835)**
Associate impairment and related closure costs[B]						**(5,273)**
Redundancies and associated costs[C]						**(1,663)**
Profit before income tax from continuing operations(i)						**21,406**

(i) The Group has initially applied AASB 16 *Leases* at 1 January 2019. Under the modified retrospective transition method chosen, comparative information has not been restated and so the 2019 result includes the impact of AASB 16, whereas 2018 does not. Refer to note 6.3 for further details.

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 the year ($538,000), following the decision to close Gfinity Esports Australia in June 2019.

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

Notes to the Consolidated Financial Statements

1.3 SEGMENT INFORMATION (CONTINUED)

(II) RESULTS BY OPERATING SEGMENT (CONTINUED)

2018 $'000	Australian Radio Network	HK Outdoor	Digital investments	Corporate	Group elimination	Total
Revenue from external customers	119,577	14,823	2,724	–	(173)	**136,951**
Share of profits of associates	–	–	13	–	–	**13**
Segment result	37,207	260	610	(7,701)	–	**30,376**
Reconciliation of segment result to profit before income tax						
Segment result						**30,376**
Depreciation and amortisation[A]						**(2,745)**
Net finance costs						**(4,123)**
Other costs[B]						**1,367**
Profit before income tax from continuing operations						**24,875**

Explanation of statutory adjustments
(A) Consists of depreciation of $2.4 million and amortisation of $0.4 million.
(B) Reversal of earn-out provision related to the 2016 Conversant Media acquisition

1.4 EARNINGS PER SHARE

	June 2019 $'000	June 2018 $'000
(a) Reconciliation of earnings used in calculating earnings per share (EPS)		
Profit from continuing operations attributable to owners of the parent entity	**13,346**	14,854
Profit from discontinued operations attributable to owners of the parent entity	**–**	12,360
Profit attributable to owners of the parent entity used in calculating basic/diluted EPS	**13,346**	27,214

	Number	Number
(b) Weighted average number of shares		
Weighted average number of shares used as the denominator in calculating basic EPS	**285,345,013**	308,912,092
Weighted average number of Treasury shares	**(670,815)**	(56,998)
Adjusted for calculation of diluted EPS		
Unvested rights	**944,641**	524,315
Weighted average number of shares used as the denominator in calculating diluted EPS	**285,618,839**	309,379,409

While rights have been issued to Key Management Personnel under the 2018 TIP schemes, 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

2 OPERATING ASSETS AND LIABILITIES

2.1 INTANGIBLE ASSETS

	June 2019 $'000	Dec 2018 $'000
Goodwill	**55,094**	55,081
Software and other intangibles – net of accumulated amortisation	**1,178**	1,361
Radio licenses – net of accumulated amortisation	**371,390**	371,614
Brands – net of accumulated amortisation	**1,432**	1,529
	429,094	429,585

3 CAPITAL MANAGEMENT

3.1 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 2019 and 31 December 2018:

June 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 or loss				
Shares in other corporations	–	–	34,825	**34,825**
Total financial assets	–	–	34,825	**34,825**
Non-financial assets				
Freehold land and buildings				
Freehold land	–	–	1,085	**1,085**
Buildings	–	–	569	**569**
Total non-financial assets	–	–	1,654	**1,654**

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

Notes to the Consolidated Financial Statements

3.1 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. There are no outstanding non-current receivables as at 30 June 2019 (level 3).

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

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 which are valued using discount rates, forecast cash flows, EBITDA multiples estimated by management based on comparable transactions and industry data.

The Group obtains independent valuations at least every three 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 gain of $1.7 million (2018: $2.4 million) was recorded in other income for shares in other corporations. There were no other material level 3 fair value movements during the year.

3.2 CONTRIBUTED EQUITY

	June 2019 $'000	Dec 2018 $'000
Issued and paid up share capital	**1,491,334**	1,492,555

(A) MOVEMENTS IN CONTRIBUTED EQUITY DURING THE FINANCIAL YEAR

	June 2019 Number of shares	Dec 2018 Number of shares	June 2019 $'000	Dec 2018 $'000
Balance at beginning of the year	**285,598,399**	308,912,092	**1,492,555**	1,531,567
Share buy-back (i)	**(697,222)**	(23,313,693)	**(1,221)**	(39,012)
Balance at end of the period	**284,901,177**	285,598,399	**1,491,334**	1,492,555

(i) During December 2018, the Company purchased and cancelled 23 million shares on-market. The shares were acquired at an average price of $1.67 per share.
During the period to 30 June 2019, the Company purchased and cancelled 697,222 shares on-market. The shares were acquired at an average price of $1.75 per share.

Notes to the Consolidated Financial Statements

3.3 DIVIDENDS

	June 2019 $'000	June 2018 $'000
Final dividend for the year ended 31 December 2018 of 4.0 cents per share, fully franked, paid on 15 March 2019 (2017: 4.0 cents).	**11,424**	12,357
Paid in cash	**11,424**	12,357
Special dividend for the year ended 31 December 2018 of 72.0 cents per share fully franked (2017: nil)	**–**	222,415
Paid in cash	**–**	222,415
Total dividends	**11,424**	244,039
Dividends not recognised at the end of half year		
Since the end of the half-year, the Directors have declared a fully franked interim dividend of 4.0 cents per share (2018: 3.0 cents). The aggregate amount of the proposed dividend expected to be paid on 13 September 2019, but not recognised as a liability at the end of the half-year, is:	**11,396**	9,267

Notes to the Consolidated Financial Statements

4 TAXATION

4.1 INCOME TAX AND DEFERRED TAX

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 six months to 30 June 2019 is 29.1%, compared to 31.5% for the six months to 30 June 2018.

New Zealand branch matter

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

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

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

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

The issue of amended assessments represents a formalisation of the ATO's position. The Company continues to consult with its advisers. The Company is satisfied that its treatment of this matter is consistent with relevant taxation legislation. The Company is also satisfied that penalties should not apply and disagrees with the rate of penalties imposed. HT&E has lodged objections with the ATO regarding the assessments for the years ended 31 December 2009 to 31 December 2016 inclusive, and objections to the penalties and interest assessments. The Company will if necessary, contest the matter through litigation proceedings.

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

Other matters

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

Notes to the Consolidated Financial Statements

5 GROUP STRUCTURE

5.1 INTERESTS IN OTHER ENTITIES

(A) MATERIAL SUBSIDIARIES WITH NON-CONTROLLING INTERESTS

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

Name of entity	Place of business	Country of incorporation	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities
			June 2019	Dec 2018	June 2019	Dec 2018	
Brisbane FM Radio Pty Ltd	Australia	Australia	50%	50%	50%	50%	Commercial radio

5.2 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Set out below are the associates of the Group as at 30 June 2019. 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		Nature of relationship	Measurement method	Consolidated carrying values	
		June 2018	Dec 2017			June 2019 $'000	Dec 2018 $'000
Soprano Design Pty Limited	Australia	**25%**	25%	Associate(i)	Equity method	**15,434**	14,051
HT&E Events Pty Limited	Australia	**50%**	50%	Joint Venture(ii)	Equity method	**–**	884
Unbnd Group Pty Ltd	Australia	**50%**	50%	Joint Venture(iii)	Equity method	**3,669**	3,894

(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) HT&E Events Pty Limited specialises in Australian esports and was established in August 2017. In partnership with Gfinity PLC, HT&E Events Pty Limited also launched Gfinity Esports Australia in August 2017. The associate interest in HT&E Events Pty Limited was written down in June 2019 following the decision to close Gfinity Esports Australia.
(iii) Unbnd Group Pty Ltd is a digital and communications business specialising in emerging media technologies, including Virtual and Augmented Reality. The interest was acquired in September 2017.

	June 2019 $'000	June 2018 $'000
Total investments accounted for using the equity method	**19,103**	17,677
Share of profits of associates and joint ventures	**843**	13

Notes to the Consolidated Financial Statements

6 OTHER

6.1 DISCONTINUED OPERATIONS

2018

The Company announced on 25 June 2018 that it had entered into binding documentation to sell Adshel (previously disclosed as Adshel operating segment) to oOh!media Limited for an implied enterprise value of $570 million. This includes the Australian and New Zealand entities, Adshel Street Furniture Pty Limited ACN 000 081 872 and Adshel New Zealand Limited CN902243 respectively. ACCC clearance was obtained on 23 August 2018 and the sale was completed on 28 September 2018.

The results of Adshel are reported as a discontinued operation.

(a) Financial performance and cash flow information

	June 2018 $'000
Revenue and other income	99,003
Expenses before depreciation and amortisation	(78,459)
Profit before depreciation, amortisation and income tax	20,544
Depreciation and amortisation	(14,631)
Profit before income tax	5,913
Income tax expense	(1,784)
Profit from operations	4,129
Reassessment of compliance provision[A]	16,126
Onerous contract costs[B]	(3,670)
Other costs[C]	(487)
Income tax expense	(3,738)
Profit after income tax from discontinued operations	12,360

	Cents
Basic/Diluted earnings per share from discontinued operations	4.0

Explanation of items related to 2018 discontinued operations:

(A) Provision for compliance obligations, reduced based on reassessment of the provision following detailed scoping study completed in the period ending 30 June 2018.

(B) Onerous contract costs relate to one Adshel contract provided for based on expected contract performance.

(C) Costs incurred in the period ended 30 June 2018 associated with the sale of Adshel

	June 2018 $'000
Net cash inflows from operating activities	9,306
Net cash outflows from investing activities	(10,440)
Net cash outflows from financing activities	–
Net increase in cash generated by the divisions	(1,134)

Notes to the Consolidated Financial Statements

6.2 CONTINGENT LIABILITIES

The parent entity and all wholly-owned controlled entities have provided guarantees in respect of banking facilities. As at 30 June 2019, the banking facilities had been drawn to the extent of $9.8 million (31 December 2018: $3.0 million) for bank guarantees.

The Group did not have any other contingent liabilities as at 30 June 2019 and 31 December 2018.

CLAIMS

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

6.3 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 2018. 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 2019.

AASB 16 *Leases*

The IASB has issued IFRS 16 *Leases*, replacing IAS 17 *Leases*. The AASB has issued an equivalent standard, AASB 16 *Leases*. The Group has adopted AASB 16 *Leases* using the modified retrospective approach where the cumulative effect of adopting the standard is recognised in opening retained earnings at 1 January 2019, with no restatement of prior year comparative information. Changes to accounting policies and financial impact on adoption are detailed below.

(i) Accounting Policies

Prior to 1 January 2019, the Group classified leases as operating leases when all the risks and benefits of ownership are effectively retained by the lessor. Operating lease payments, excluding contingent payments, were charged to the income statement on a straight-line basis over the period of the lease.

On and after transition, the Group assess whether a contract is or contains a lease based on the new definition of a lease: a contract is or will contain a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Under AASB 16, the Group recognises on its balance sheet right-of-use assets representing its right to use the underlying assets and corresponding lease liabilities representing its obligation to lease payments at the lease commencement date.

Right-of-use assets are initially measured at cost and comprise the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

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.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at commencement date. These are discounted using the rate implicit in the lease, or, if that rate cannot be readily determined, the Group's incremental borrowing rate, which is the rate the Group would have paid to borrow the funds necessary to obtain an asset of similar value in similar economic environment and terms and conditions. Generally, the Group uses its incremental borrowing rate.

Notes to the Consolidated Financial Statements

Lease liabilities are subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there are changes in future lease payments arising from a change in index or rate (e.g. CPI), change in estimate of amount expected to be paid under residual value guarantees or as appropriate, changes in the assessment of whether a purchase or extension is reasonably certain to be exercised or whether a termination option is reasonably certain not to be exercised. The Group applies judgement to determine whether these options are reasonably certain or not.

Lease payments are allocated between the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases (with a lease term of 12 months or less) and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

(ii) Practical expedients applied on transition

In applying AASB 16 *Leases*, the Group has used the following practical expedients on transition:

- elected not to reassess whether a contract is, or contains a lease at the date of the initial application. Instead contracts entered into before the transition date, the Group relied on assessments made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a lease
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short term leases
- reliance on previous assessments on whether leases are onerous
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease, and
- the use of a single discount rate to a portfolio of leases with similar characteristics

(iii) Financial statements impact of AASB 16 *Leases*

Impact on transition

On adoption, the Group recognised lease liabilities in relation to leases which has previously been classified as 'operating leases' under AASB 16 *Leases*. The lease liabilities are measured at the present value of minimum lease payments for the lease term, discounted using a weighted average incremental borrowing rate of 3.9%.

Lease liability on transition	1 January 2019 $'000
Non-cancellable operating lease and rental commitments disclosed as at 31 December 2018:	44,581
Discounted using the lessee's incremental borrowing rate of at the date of initial application	44,309
Add: finance lease liabilities recognised as at 31 December 2018	-
(Less): short term leases recognised on a straight-line basis as expense	(1,286)
(Less): low value leases recognised on a straight-line basis as expense	-
(Less): contracts reassessed as service agreements	(617)
Add/(less): adjustments as a result of a different treatment of extension and termination options	11,409
Add/(less): adjustments relating to changes in the index or rate affecting variable interest payments	427
Lease liability recognised as at 1 January 2019	54,243

Notes to the Consolidated Financial Statements

The change in accounting policy affected the following items on the balance sheet at 1 January 2019:

	1 January 2019 $'000
Increase in assets:	
Deferred tax assets	951
Right-of-use assets	48,452
(Increase)/decrease in liabilities:	
Payables	1,253
Lease liabilities	(54,243)
Net impact on retained earnings	(3,587)

The associated right-of-use assets on transition and as at 30 June 2019 by asset class:

	1 January 2019 $'000	30 June 19 $'000
Property	14,746	25,812
Advertising agreements	32,803	28,403
Motor vehicle, facilities and other	903	744
Total right-of-use assets	48,452	54,959

Adjusted EBITDA, segment assets and liabilities for 30 June 2019 all increased as a result of the change in accounting policy:

Increases due to adoption of AASB 16 *Leases*	Adjusted EBITDA $'000	Segment assets $'000	Segment liabilities $'000
ARN	1,362	21,745	24,063
HK Outdoor	6,059	32,279	33,715
Digital investments	64	30	26
Corporate	72	425	426
Total	7,557	54,479	58,231

Earnings per share decreased by 0.1c for the six months to 30 June 2019 as a result of the adoption of AASB 16.

During the six months to 30 June 2019, the Group recognised $6,738,000 of depreciation charges and $1,074,000 of interest costs in association with AASB 16 *Leases*.

Notes to the Consolidated Financial Statements

B) STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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 is still assessing the future impact of the new criteria in the new conceptual framework.

There are no other 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.

6.4 SUBSEQUENT EVENTS

Since the end of the period, the Directors have declared the payment of a fully franked interim dividend of 4.0 cents, to be paid on 13 September 2019 (refer to note 3.3).

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

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 11 to 29 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 2019 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
14 August 2019

Independent Auditor's Report

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), which comprises the consolidated balance sheet as at 30 June 2019, 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 explanatory notes and the directors' declaration for the Group. The Group comprises the Company and the entities it controlled during that half-year.

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 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 2019 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 2019 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*.

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Independent Auditor's Report

PricewaterhouseCoopers

Louise King
Partner

Sydney
14 August 2019

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
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T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au