# Half Year Financial Report and Appendix 4D

**HT&E Limited and controlled entities**
For the period ended 30 June 2021

# Contents

# Results for announcement to the market for the half-year ended 30 June 2021

## (previous corresponding period: half-year ended 30 June 2020)

| Key financial information | June 2021 $'m | June 2020 $'m | Change % |
|---|---|---|---|
| Revenue from ordinary activities | 109.9 | 93.0 | 18% |
| Other income | 0.6 | 6.7 | (91%) |
| Revenue and other income | 110.5 | 99.7 | 11% |
| Net profit/ (loss) attributable to members of the parent | 10.2 | (59.3) | >100% |

| Dividends | Amount per share | Franked amount per share | Record date for determining entitlements to dividends | Date dividend payable |
|---|---|---|---|---|
| Interim 2021 dividend | 3.5 cents | 3.5 cents | 26 August 2021 | 15 September 2021 |

No final 2020 dividend was declared.

| Net tangible assets per share | June 2021 $'m | December 2020 $'m |
|---|---|---|
| Net tangible asset backing per ordinary share* | 0.36 | 0.30 |

* 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 2021. Information should be read in conjunction with HT&E Limited's 2020 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 2021 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 2021.

## 1. DIRECTORS

The Directors of the company at any time during the half-year ended 30 June 2021 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

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.

## 3. DIVIDENDS

The Directors have declared a dividend of 3.5 cents per ordinary share fully franked, to be paid for the half-year ended 30 June 2021. The record date for the dividend is 26 August 2021 and the dividend will be payable on the 15 September 2021.

## 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

19 August 2021
Sydney

# Directors' Report (continued)

## OPERATING AND FINANCIAL REVIEW

### PERFORMANCE OVERVIEW

Group revenues from ordinary activities of $109.9 million increased $16.9 million on last year, with consumer confidence and advertising spend in Australia and Hong Kong recovering from the severe economic impacts of COVID-19 experienced in 2020.

Total group costs rose $7.0 million or 9% to $84.4 million, driven largely by higher cost of sales on improved revenues and one-off cost control measures impacting the prior period comparative.

Underlying group earnings before exceptional items, interest, tax, depreciation and amortisation (EBITDA) increased by $10.9 million.

The statutory gain attributable to HT&E shareholders of $10.2 million represented a $69.4 million increase from last year, impacted by exceptional items in 2020.

#### Summary of financial performance

| AUD million[1] | June 2021 | June 2020 | Change (%) |
|---|---|---|---|
| Revenue from ordinary activities | 109.9 | 93.0 | 18% |
| Other income | 0.4 | 1.3 | (69%) |
| Share of profits of associates | 4.4 | 2.6 | 73% |
| Costs | (84.4) | (77.4) | 9% |
| **EBITDA[2]** | 30.4 | 19.5 | 55% |
| Depreciation | (6.3) | (9.1) | (31%) |
| Amortisation | (0.4) | (0.5) | (19%) |
| **EBIT[3]** | 23.7 | 9.9 | >100% |
| Net interest expense | (1.8) | (1.8) | (3%) |
| **Profit before tax** | 21.9 | 8.1 | >100% |
| Tax expense | (5.6) | (4.5) | 25% |
| **Profit after tax** | 16.3 | 3.6 | >100% |
| Less: non-controlling interests | (1.8) | (1.2) | 46% |
| **NPAT attributable to HT&E shareholders[4]** | 14.5 | 2.4 | >100% |
| Exceptional items, net of tax[5] | (0.4) | (61.7) | (99%) |
| Provisions for uncertain tax treatments[6] | (4.0) | – | 100% |
| **NPAT attributable to HT&E shareholders[7]** | 10.2 | (59.3) | >100% |
| EBITDA margin | 27.6% | 21.0% | |
| Underlying basic EPS (cents) | 5.2 | 0.9 | |
| Interim dividend per share (cents) | 3.5 | – | |

[1] Totals may not add due to rounding.
[2] EBITDA before exceptional items, represents the Group's total segment result.
[3] EBIT before exceptional items.
[4] NPAT before exceptional items.
[5] Commentary on exceptional items is included in note 1.3 to the consolidated financial statements.
[6] Commentary on provisions for uncertain tax treatments is included in note 4.1 to the consolidated financial statements.
[7] Statutory NPAT after exceptional items.

# Directors' Report (continued)

### UNDERLYING DRIVERS OF PERFORMANCE

Group revenues rose $16.9 million, with improved consumer sentiment and advertiser confidence contributing to materially higher revenues across the HT&E Group in the period.

ARN's market leading and consistent audience survey results across the network combined with our enviable #1 position in podcast downloads provided a strong platform to drive commercial revenue growth in the period[1].

Revenues in the prior period were significantly impacted by the economic effects of the government enforced lockdowns to contain the spread of the COVID-19 global pandemic.

Group costs from continuing operations before interest, tax, depreciation and amortisation, and exceptional items were up 9% to $84.4 million, with the prior period impacted by one-off cost control measures. Higher variable cost of sales on improved revenues and continued investment in digital audio capability also contributed to the increase in the current period.

Segment earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations and before exceptional items were up 55% from the corresponding period.

Depreciation and amortisation decreased from $9.6 million to $6.7 million, impacted by a part impairment of advertising concession right of use assets held by Cody in June 2020. This resulted in EBIT from continuing operations and before exceptional items of $23.7 million compared with $9.9 million in the prior period, and net profit after tax attributable to shareholders, before exceptional items (NPAT) of $14.5 million.

Details on the exceptional items totalling $4.4 million (net of tax) in the current period are included in note 1.3 and note 4.1 to the consolidated financial statements.

### FINANCIAL POSITION

The Group had net assets at 30 June 2021 of $501.2 million, $9.0 million higher than December 2020 net assets of $492.2 million, driven largely by changes in net working capital consistent with the recovery in revenue in the period.

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 continuing.

The Company has recorded provisions for uncertain tax treatments of $34.0 million (2020: $30.0 million), in relation to two disputes in the 30 June 2021 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 4.1 to the consolidated financial statements for more information.

### CASH AND CAPITAL MANAGEMENT

The balance sheet of the Group remains incredibly robust with net cash of $122.4 million at 30 June 2021. In a media sector expected to consolidate further, we believe the current capital structure of the Group, positions HT&E well over the short to medium term.

The Group retains debt facilities with undrawn limits of $251.0 million, most of which expire in 2024 and are sufficient to cover any adverse outcome on the ongoing disputes with the ATO.

Further cash reserves of $3.0 million were deployed in the period to the accretive on-market share buyback, which has now been operating since late 2018.

Improved trading conditions resulted in operating cash flows and lease payments of $14.5 million, an increase of $6.2 million on last year.

In consideration of the trading result for the period, and improved economic outlook in our markets of operation, the Company declared a fully franked half year dividend of 3.5 cents per share.

[1] Source: CRA and Triton, Australian Podcast Ranker: June 2021 of the participating publishers. Combines ARN/iHeartMedia with Audioboom

# Directors' Report (continued)

### Cash flow generation

| AUD million[1] | June 2021 | June 2020 | Change $ |
|---|---|---|---|
| Operating cash flows and lease payments[2] | 14.5 | 8.3 | 6.2 |
| Government subsidies | – | 3.2 | (3.2) |
| Investing cash flows | 0.7 | (18.2) | 18.9 |
| **Net free cash flow[3]** | **15.3** | **(6.7)** | **21.9** |
| Other financing cash flows | (3.7) | (14.2) | 10.5 |
| Cash at the beginning of the period | 65.1 | 111.0 | (45.9) |
| Effect of foreign exchange on the period | 0.0 | 0.1 | (0.1) |
| **Cash at end of the period** | **76.7** | **90.1** | **(13.4)** |
| Term deposit at the end of the period | 50.0 | – | 50.0 |
| Bank loans at the end of the period | (4.3) | (0.6) | (3.7) |
| Net cash | 122.4 | 89.6 | 32.8 |

1. Totals may not add due to rounding.
2. Operating cash flows plus principal repayments on finance leases accounted for under AASB 16 *Leases*.
3. Includes principal repayments on finance leases.

## AUSTRALIAN RADIO NETWORK (ARN)

ARN is the #1 metropolitan radio network in Australia reaching over 5.25 million people a week[2], the #1 Australian podcast publisher in the country averaging over 17 million downloads a month[3], and the leading provider of integrated digital audio content. With over 2 million registered users on listening platform iHeartRadio, ARN delivers radio, music and podcasts all in one place. ARN is growing commercial share in the radio advertising market and creating new revenue opportunities in digital audio by providing the most comprehensive audio solutions for advertisers.

ARN's strategy to recruit and retain the best talent, both on and off air, continued to pay dividends during the first half of 2021, with unprecedented audience ratings delivering strong commercial share in a recovering local advertising market. Resulting ARN revenues of $98.5 million were up 19% on the prior period, and EBITDA of $28.1 million, was up 55%.

Our audience ratings dominance continued, with ARN having held the #1 network position in Australia for thirteen consecutive surveys, with a 17.5% share and in the latest survey, the #1 network for the important 25-54 category. We have seen ratings stability and positive momentum across all stations in the ARN network, and in a highly competitive Australian audio market, this is an outstanding result[2].

The performance of Kyle and Jackie O in survey 4 to secure a sizeable 15.5% audience share, and claim the #1 Breakfast position overall, across both AM and FM for the first time, was a significant achievement for KIIS1065. In Melbourne, The Christian O'Connell Show on GOLD 104.3 continued to acquire new audiences and notched up its ninth consecutive survey as #1. Will and Woody, our national drive show on the KIIS network is resonating with audiences and brands across the country, securing the #1 position in Sydney and #2 position in both Brisbane and Adelaide[2].

Our commitment to digital audio continues to deliver consistent growth for the iHeartPodcast Network Australia across our diverse content offering. As Australia's #1 podcast publisher[3], we further expanded our offering in the period, adding exciting new content for audiences and compelling commercial opportunities for brands.

Year-on-year, national total downloads on the iHeartPodcast Network Australia were up 58%, for June, with consistent growth across popular podcast categories including True Crime (up 366%), Comedy (up 44%), Sport (up 178%), and Business (up 43%)[4]

[2] Source: GfK Radio Ratings, S4 2021, SMBAP, Comm Radio Gps (AM/FM/DAB+), Mon-Sun 5:30-12mn, Share % P10+
[3] Source: CRA and Triton, Australian Podcast Ranker: June 2021 of the participating publishers. Combines ARN/iHeartMedia with Audioboom
[4] Source: Megaphone Australia, 1m+ devices, June 2021

# Directors' Report (continued)

Continued growth in our streaming platform, iHeartRadio with over 2 million registered users, reinforces our commitment to delivering the quality connections that audiences seek from audio. Our integrated approach to delivering the most complete audio offering for listeners and the most innovative solutions for our commercial partners, continues to prove successful.

### CODY (HK OUTDOOR)

After a challenging 18 months of trading, impacted by civilian protests in the period immediately prior to COVID lockdowns, Cody revenues rose 9% to $8.5 million in the current the period, the result of improved consumer confidence and the return of advertising spend from key categories including luxury brands and finance.

Lower depreciation resulting from the part impairment of advertising concession lease assets in the prior period aided a return to positive EBIT of $0.7 million.

The business successfully tendered for and retained a number of smaller tunnel contracts in the period, including Tate Cairns and Tai Lam Tunnels.

### DISPOSAL OF INVESTMENT IN SOPRANO

On 18 May 2021, HT&E announced that the shareholders in Soprano Design Limited, in which HT&E Limited holds a 24.9% stake, signed a non-binding term sheet to sell 100% of shares in Soprano to Link Mobility Group Holdings AS (Link), a global CPaaS provider listed on the Oslo stock exchange.

The transaction will create a global, market leading CPaaS player of scale, with complementary geographic and client coverage, best-in-class products and technology and the potential for material revenue and cost synergies.

The terms of the agreement value Soprano at NOK 3,590 million, representing approximately $560 million, with HT&E's stake valued at approximately $139 million. HT&E will receive $6.2 million cash up front (before transaction costs) and a shareholding of approximately 5.8% in the combined Link / Soprano business.

Link shares will be held in escrow for a period of 6 months following completion of the sale, after which HT&E is permitted to dispose of all or a portion of the shares via an off-market block trade or sell down a maximum of 3 million shares per month on market. The escrow period concludes 18 months following completion of the sale.

The sale process is progressing well, and it is expected that a binding Share Sale Agreement will be executed shortly.

Completion of the sale is subject to certain regulatory approvals and customary completion practices. There is no certainty that this transaction will occur.

### LOOKING AHEAD:

At ARN, our ambition is to provide the most complete audio experience for our listeners and the most comprehensive audio solutions for advertisers. By investing in audio's smartest advertising, innovations and people, ARN is at the forefront of building a richer, smarter and more powerful audio business.

As the leading audio entertainment business in Australia, and with a proven senior management team and clear growth strategy, HT&E remains well placed to capitalise on opportunities within the rapidly expanding digital audio landscape.

We believe that there will be continued consolidation in media markets and with its deep media experience, HT&E will continue to look for the right opportunities to maximise shareholder value over the medium to long term.

# Auditor's Independence Declaration

As lead auditor for the review of HT&E Limited for the half-year ended 30 June 2021, 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
19 August 2021

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# 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 19 August 2021.

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 or amended accounting standards set out in note 6.3.

## SIGNIFICANT EVENTS IN THE CURRENT REPORTING PERIOD

**Soprano Sale**

The Company announced on 18 May 2021 the shareholders of Soprano Design Limited had entered into a non-binding agreement to sell 100% of Soprano Design Limited to Link Mobility Group Holdings AS. Refer to note 6.1 for more information on this sale.

## 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

**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 2021

| | Note | June 2021 $'000 | June 2020 $'000 |
|---|---|---|---|
| Revenue from ordinary activities | 1.1 | **109,905** | 93,043 |
| Other revenue and income | 1.1 | **584** | 6,657 |
| Total revenue and other income | | **110,489** | 99,700 |
| Expenses before impairment, finance costs, depreciation and amortisation | 1.2 | **(84,921)** | (78,019) |
| Impairment of intangible assets | 2.1 | **–** | (54,178) |
| Impairment of right-of-use assets | 2.2 | **–** | (7,093) |
| Impairment of associate | 1.3 | **–** | (4,394) |
| Finance costs | 1.2 | **(1,946)** | (2,264) |
| Depreciation and amortisation | 1.2 | **(6,707)** | (9,639) |
| Share of profits of associates and joint ventures accounted for using the equity method | 5.3 | **4,418** | 2,554 |
| **Profit/(loss) before income tax** | 1.3 | **21,333** | (53,333) |
| Income tax expense | 4.1 | **(9,407)** | (4,598) |
| **Profit/(loss) for the period** | | **11,926** | (57,931) |
| | | | |
| **Other comprehensive income** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Net exchange difference on translation of foreign operations | | **(211)** | 596 |
| Share of associate's other comprehensive income | | **(16)** | 463 |
| Reclassification of foreign currency translation reserve to profit and loss | | **–** | (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 | **1,742** | 4,959 |
| **Other comprehensive income, net of tax** | | **1,515** | 5,895 |
| **Total comprehensive income** | | **13,441** | (52,036) |
| | | | |
| **Profit/(loss) for the period is attributable to:** | | | |
| Owners of the parent entity | | **10,151** | (59,270) |
| Non-controlling interests | | **1,775** | 1,339 |
| **Profit/(loss) for the period** | | **11,926** | (57,931) |
| | | | |
| **Total comprehensive income is attributable to:** | | | |
| Owners of the parent entity | | **11,666** | (53,375) |
| Non-controlling interests | | **1,775** | 1,339 |
| | | **13,441** | (52,036) |
| | | Cents | Cents |
| **Earnings per share** | | | |
| Basic/diluted earnings per share | 1.4 | **3.7** | (21.2) |

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

# Consolidated Balance Sheet

## As at 30 June 2021

| | Note | June 2021 $'000 | December 2020 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | **76,717** | 65,080 |
| Short-term deposit | | **50,000** | 50,000 |
| Receivables | | **49,051** | 43,919 |
| Tax assets | 4.1 | **3,324** | 1,553 |
| Other current assets | | **2,926** | 3,475 |
| Asset held for sale | 6.1 | **22,221** | – |
| Total current assets | | **204,239** | 164,027 |
| **Non-current assets** | | | |
| Shares in other corporations | 5.2 | **49,019** | 46,583 |
| Investments accounted for using the equity method | 5.3 | **31,207** | 51,320 |
| Property, plant and equipment | | **18,944** | 19,080 |
| Intangible assets | 2.1 | **373,073** | 373,912 |
| Right-of-use assets | 2.2 | **26,443** | 31,172 |
| Deposit of tax in dispute, net of provision | 4.1 | **1,799** | 3,930 |
| Other non-current assets | | **3,193** | 4,354 |
| Total non-current assets | | **503,678** | 530,351 |
| **Total assets** | | **707,917** | 694,378 |
| **Current liabilities** | | | |
| Payables | | **24,389** | 21,506 |
| Contract liabilities | | **6,046** | 4,378 |
| Lease liabilities | 2.2 | **13,161** | 14,346 |
| Provisions | | **10,604** | 4,973 |
| Total current liabilities | | **54,200** | 45,203 |
| **Non-current liabilities** | | | |
| Lease liabilities | 2.2 | **23,672** | 29,272 |
| Bank loans | 3.1 | **4,293** | 2,934 |
| Provisions | | **3,834** | 4,768 |
| Deferred tax liabilities | 4.1 | **120,751** | 119,958 |
| Total non-current liabilities | | **152,550** | 156,932 |
| **Total liabilities** | | **206,750** | 202,135 |
| **Net assets** | | **501,167** | 492,243 |
| **Equity** | | | |
| Contributed equity | 3.3 | **1,477,753** | 1,480,752 |
| Reserves | | **(21,371)** | (23,203) |
| Accumulated losses | | **(991,139)** | (1,001,357) |
| Total parent entity interest | | **465,243** | 456,192 |
| Non-controlling interests | | **35,924** | 36,051 |
| Total equity | | **501,167** | 492,243 |

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 2021

| | Note | June 2021 $'000 | June 2020 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | **115,493** | 113,532 |
| Payments to suppliers and employees (inclusive of GST) | | **(86,742)** | (89,594) |
| Government subsidies and grants | | **–** | 3,161 |
| Dividends received | | **–** | 188 |
| Interest received | | **65** | 749 |
| Interest paid | | **(1,789)** | (2,281) |
| Income taxes paid | | **(5,596)** | (6,775) |
| **Net cash inflows from operating activities** | | **21,431** | 18,980 |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | **(1,510)** | (770) |
| Payments for software | | **(35)** | (382) |
| Increase in investment in shares in other corporations | 5.2 | **–** | (18,073) |
| Dividend received from associates | | **2,849** | – |
| Net loans from/ (to) associates | | **(556)** | 316 |
| Net loans repaid by other entities | | **–** | 726 |
| **Net cash outflows from investing activities** | | **748** | (18,183) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | 3.1 | **1,253** | 587 |
| Principal elements of lease payments | | **(6,897)** | (7,511) |
| Payments for treasury shares | | **(10)** | (333) |
| Dividends paid to shareholders | 3.4 | **–** | (12,840) |
| Payments for share buyback | 3.3 | **(2,999)** | (513) |
| Net payments to non-controlling interests | | **(1,902)** | (1,071) |
| **Net cash outflows from financing activities** | | **(10,555)** | (21,681) |
| **Change in cash and cash equivalents** | | **11,624** | (20,884) |
| Cash and cash equivalents at beginning of the period | | **65,080** | 110,972 |
| Effect of exchange rate changes | | **13** | 54 |
| **Cash and cash equivalents at end of the period** | | **76,717** | 90,142 |

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 2021

| | Note | Contributed equity $'000 | Reserves $'000 | Accumulated losses $'000 | Total $'000 | Non-controlling interests $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|
| 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 | 3.3 | (513) | – | – | (513) | – | (513) |
| Dividends paid | 3.4 | – | – | (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 |
| | | | | | | | |
| Balance at 1 January 2021 | | 1,480,752 | (23,203) | (1,001,357) | 456,192 | 36,051 | 492,243 |
| Profit/(loss) for the period | | – | – | 10,151 | 10,151 | 1,775 | 11,926 |
| Other comprehensive income | | – | 1,515 | – | 1,515 | – | 1,515 |
| Transfers within equity | | – | (67) | 67 | – | – | – |
| Share-based payments | | – | 214 | – | 214 | – | 214 |
| Treasury shares vested to employees | | – | 180 | – | 180 | – | 180 |
| Share buy-back | 3.3 | (2,999) | – | – | (2,999) | – | (2,999) |
| Acquisition of treasury shares | | – | (10) | – | (10) | – | (10) |
| Transactions with non-controlling interests | | – | – | | – | (1,902) | (1,902) |
| **Balance at 30 June 2021** | | 1,477,753 | (21,371) | (991,139) | 465,243 | 35,924 | 501,167 |

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 2021 $'000 | June 2020 $'000 |
|---|---|---|---|
| **Revenue and other income** | | | |
| Broadcast revenue | | **91,387** | 76,948 |
| Advertising revenue | | **14,696** | 13,422 |
| Services revenue | | **3,603** | 2,586 |
| Other revenue | | **219** | 87 |
| **Total Revenue** | | **109,905** | 93,043 |
| Dividend income | | **–** | 188 |
| Government subsidies and grants | 1.3 | **–** | 4,913 |
| Other | | **403** | 1,104 |
| **Other income** | | **403** | 6,205 |
| Interest income | | **181** | 452 |
| **Total other revenue and income** | | **584** | 6,657 |
| **Total revenue and other income** | | **110,489** | 99,700 |

Revenue recognised in the period ended 30 June 2021 that was included in the contract liabilities balance as at 1 January 2021 is $3.7 million (2020: $5.6 million).

# Notes to the Consolidated Financial Statements (continued)

## 1.2 EXPENSES

| | Note | June 2021 $'000 | June 2020 $'000 |
|---|---|---|---|
| Employee benefits expense | | **50,782** | 46,187 |
| Production and distribution expense | | **7,518** | 7,683 |
| Selling and marketing expense | | **17,814** | 14,483 |
| Rental and occupancy expense | | **3,315** | 3,086 |
| Professional fees | | **1,855** | 2,236 |
| Repairs and maintenance costs | | **966** | 948 |
| Travel and entertainment costs | | **708** | 547 |
| Software expense | | **556** | – |
| Loss on sale of business | | **–** | 350 |
| Redundancies and associated costs | | **–** | 398 |
| Other expenses | | **1,407** | 2,101 |
| **Total expenses before impairment, finance costs, depreciation and amortisation** | | **84,921** | 78,019 |
| Interest – lease liabilities | | **805** | 1,161 |
| Interest and finance charges | | **874** | 841 |
| Borrowing costs amortisation | | **267** | 262 |
| **Total finance costs** | | **1,946** | 2,264 |
| Depreciation – right-of-use assets | | **4,740** | 7,420 |
| Depreciation – other assets | | **1,561** | 1,715 |
| Amortisation | | **406** | 504 |
| **Total depreciation and amortisation** | | **6,707** | 9,639 |

# 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) |
| Investments | Includes controlling interests in Emotive Pty Limited (creative agency) and equity accounted investment in Soprano Design 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) which excludes the effects of exceptional items such as impairment and restructuring related costs.

In the year ending 31 December 2020 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.

### (II) RESULTS BY OPERATING SEGMENT

The segment information provided to the Directors and senior management team for the period ended 30 June 2021 is as follows:

| June 2021<br>$'000 | Australian Radio Network | HK Outdoor | Investments | Corporate | Group elimination | Total |
| --- | --- | --- | --- | --- | --- | --- |
| Revenue from external customers | 98,461 | 8,462 | 3,400 | – | (418) | **109,905** |
| Share of profits of associates | 2,010 | – | 2,408 | – | – | **4,418** |
| Segment result | 28,120 | 4,254 | 2,968 | (4,981) | – | **30,361** |
| **Reconciliation of segment result profit before income tax** | | | | | | |
| **Segment result** | | | | | | **30,361** |
| Depreciation and amortisation [A] | | | | | | **(6,707)** |
| Net finance costs | | | | | | **(1,765)** |
| Software expense [B] | | | | | | **(556)** |
| **Profit before income tax** | | | | | | **21,333** |

Explanation of statutory adjustments

(A) Consists of depreciation of $6.3 million and amortisation of $0.4 million (refer to note 1.2).

(B) Relates to once-off expenditure for new systems implemented (refer to note 1.2).

# Notes to the Consolidated Financial Statements (continued)

## 1.3 SEGMENT INFORMATION (CONTINUED)

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

| June 2020 $'000 | Australian Radio Network | HK Outdoor | 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)** |
| Impairment of associate [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** | | | | | | **(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.
(D) Impairment of HK Outdoor right-of-use assets relating to Advertising Concession Agreements.
(E) Impairment of the Group's investment in Nova Entertainment (Perth) Pty Ltd.
(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.

## 1.4 EARNINGS PER SHARE

| | June 2021 $'000 | June 2020 $'000 |
|---|---|---|
| **(a) Reconciliation of earnings used in calculating earnings per share (EPS)** | | |
| Profit/(loss) attributable to owners of the parent entity | **10,151** | **(59,270)** |
| Profit/(loss) attributable to owners of the parent entity used in calculating basic/diluted EPS | **10,151** | **(59,270)** |

| | Number | Number |
|---|---|---|
| **(b) Weighted average number of shares** | | |
| Weighted average number of shares used as the denominator in calculating basic EPS | **277,443,706** | **279,979,513** |
| Weighted average number of treasury shares | **–** | **(8,497)** |
| Adjusted for calculation of diluted EPS | | |
| Unvested/unexercised rights | **–** | **78,679** |
| Weighted average number of shares used as the denominator in calculating diluted EPS | **277,443,706** | **280,049,695** |

# Notes to the Consolidated Financial Statements (continued)

## 2 OPERATING ASSETS AND LIABILITIES

### 2.1 INTANGIBLE ASSETS

| | June 2021 $'000 | December 2020 $'000 |
|---|---|---|
| Goodwill | 490 | 490 |
| Software – net of accumulated amortisation | 1,659 | 2,382 |
| Radio Licenses – net of accumulated amortisation | 370,924 | 371,040 |
| **Total intangible assets** | 373,073 | 373,912 |

#### IMPAIRMENT TEST OF CASH GENERATING UNITS INCLUDING INDEFINITE LIFE INTANGIBLE ASSETS

Impairment indicators have been assessed as at 30 June 2021, and there were no indicators identified for indefinite life intangible assets. There were impairment indicators on one of the advertising concession agreements right-of-use asset, however on further analysis no impairment was recorded as at 30 June 2021 (refer to note 2.2).

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 assessed.

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

| Name of CGU | June 2021 Goodwill $'000 | June 2021 Other non-amortising intangible assets $'000 | June 2020 Goodwill $'000 | June 2020 Other non-amortising intangible assets $'000 |
|---|---|---|---|---|
| Australian Radio Network | – | 367,445 | – | 367,445 |
| HK Outdoor | – | – | – | – |
| Emotive | 490 | – | 490 | – |
| **Total goodwill and other non-amortising intangible assets** | 490 | 367,445 | 490 | 367,445 |

At 30 June 2020, the Australian Radio Network CGU, goodwill was fully impaired ($51,494,000). 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 were 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 as at 30 June 2020.

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 as at 30 June 2020 were 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 were prepared based on management's assessment for each CGU, with consideration given to internal information and relevant external industry data and analysis. In general:<br>• market growth in the Australian Radio Network CGU was forecasted across the cash flow period. The revenue forecast assumed 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;<br>• market growth in the HK Outdoor CGU was forecasted across the cash flow period. The revenue forecast assumed the HK Outdoor CGU will return to historical 2019 levels within the forecast period. Future yield growth in the existing asset base was also assumed;<br>• expenses are forecast on a detailed basis, based on their nature. Variable costs were forecasted to move in line with revenue movements. Personnel costs were forecasted to move in line with headcount and adjusted for expected inflation. Other costs were forecasted based on management expectations, considering existing contractual arrangements; and<br>• management considered the impact of the Hong Kong protests and civil unrest within the cash flow forecast for the HK Outdoor CGU. |
| Terminal value cash flows | Cash flows were 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 |
|---|---|---|---|
| Australian Radio Network | **10.0%** | **13.0%** | **2.0%** |
| HK Outdoor | **11.2%** | **12.7%** | **2.0%** |

The HK Outdoor discount rate was increased to reflect the market assessment of the time value of money and risks specific to Hong Kong, including impacts associated with the civil unrest experienced in the 12 months to 30 June 2020.

# Notes to the Consolidated Financial Statements (continued)

## 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 6.5 years.

| | June 2021 $'000 | December 2020 $'000 |
|---|---|---|
| Property | 17,308 | 19,843 |
| Advertising concession agreements | 8,941 | 11,023 |
| Motor vehicle and other | 194 | 306 |
| **Total right-of-use assets** | **26,443** | **31,172** |
| Current | 13,161 | 14,346 |
| Non-current | 23,672 | 29,272 |
| **Total lease liabilities** | **36,833** | **43,618** |

During the half year ending 30 June 2020, HK Outdoor Advertising concession agreement right-of-use assets were impaired by $7.1 million.

Additions to right-of-use assets amounted to $0.8 million for the period ending 30 June 2021 (2020: $0.6 million).

### IMPAIRMENT TEST OF ADVERTISING CONCESSION AGREEMENTS

At 30 June 2021, there were indications that the carrying amount of one of HK Outdoor's Advertising Concession Agreements may exceed its recoverable amount. An impairment test performed on this one agreement confirmed the recoverable amount exceeded the carrying value so no further impairment was recognised.

The impairment test was completed using a discounted cash flow analysis over the contractual period for the right-of-use asset, which takes into account the financial underperformance of the specific advertising concession agreement during the six months ended 30 June 2021, relative to the original forecast.

At 30 June 2020, 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 at 30 June 2020, an impairment charge of $7.1 million was recognised in the prior 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

In regards to the one agreement within the HK Outdoor business where there were indicators of impairment in the current period, a 10% deterioration to cash flows across each year of the forecast period would reduce the surplus by $0.2 million, and result in the carrying amount equalling the cashflows.

# Notes to the Consolidated Financial Statements (continued)

## 3 CAPITAL MANAGEMENT

### 3.1 BANK LOANS

| | Note | June 2021 $'000 | December 2020 $'000 |
|---|---|---|---|
| **Non-current bank loans** | | | |
| Bank loans – unsecured | | **4,293** | 2,934 |
| **Total non-current bank loans[(i)]** | | **4,293** | 2,934 |
| **Net debt** | | | |
| Non-current bank loans | | **4,293** | 2,934 |
| Cash and cash equivalents | | **(76,717)** | (65,080) |
| Short-term deposits | | **(50,000)** | (50,000) |
| **Net cash** | | **(122,424)** | (112,146) |

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

### (A) STANDBY ARRANGEMENTS AND CREDIT FACILITIES

| Entities in the Group have access to: | June 2021 $'000 | December 2020 $'000 |
|---|---|---|
| Loan facilities [(i)] | | |
| Unsecured bank loan facilities | **258,587** | 258,384 |
| **Amount of facility utilised [(ii)]** | **(7,568)** | (6,260) |
| **Amount of available facility** | **251,019** | 252,124 |
| 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.

(ii) Relating to bank loan and guarantees drawn.

# Notes to the Consolidated Financial Statements (continued)

## 3.2 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 2021 and 31 December 2020:

| June 2021 | 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 | – | – | 635 | **635** |
| Financial assets at fair value through other comprehensive income | | | | |
| Shares in other corporations | 48,384 | – | – | **48,384** |
| **Total financial assets** | 48,384 | – | 635 | **49,019** |
| **Non-financial assets** | | | | |
| Freehold land and buildings | | | | |
| Freehold land | – | – | 2,391 | **2,391** |
| Buildings | – | – | 931 | **931** |
| **Total non-financial assets** | – | – | 3,322 | **3,322** |

| Dec 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 | – | – | 688 | **688** |
| Financial assets at fair value through other comprehensive income | | | | |
| Shares in other corporations | 45,895 | – | – | **45,895** |
| **Total financial assets** | 45,895 | – | 688 | **46,583** |
| **Non-financial assets** | | | | |
| Freehold land and buildings | | | | |
| Freehold land | – | – | 2,391 | **2,391** |
| Buildings | – | – | 953 | **953** |
| **Total non-financial assets** | – | – | 3,344 | **3,344** |

# Notes to the Consolidated Financial Statements (continued)

## 3.2 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.

The Group holds 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 2021, the borrowing rates were determined to be between 2.3% and 5.9% 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.

During the financial period there were no fair value adjustments (2020: $0.7 million) recorded in other income for 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.

## 3.3 CONTRIBUTED EQUITY

| | June 2021 $'000 | Dec 2020 $'000 |
|---|---|---|
| Issued and paid up share capital | **1,477,753** | 1,480,752 |

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

| | June 2021 Number of shares | Dec 2020 Number of shares | June 2021 $'000 | Dec 2020 $'000 |
|---|---|---|---|---|
| Balance at beginning of the year | **278,196,267** | 280,229,160 | **1,480,752** | 1,483,685 |
| Share buy-back (i) | **(1,761,212)** | (2,032,893) | **(2,999)** | (2,933) |
| Balance at end of the period | **276,435,055** | 278,196,267 | **1,477,753** | 1,480,752 |

(i) During the period to 30 June 2021, the Company purchased and cancelled on-market 1.8 million shares (2020: 2.0 million). The shares were acquired at an average price of $1.70 per share (2020: $1.44).

# Notes to the Consolidated Financial Statements (continued)

## 3.4 DIVIDENDS

| | June 2021 $'000 | June 2020 $'000 |
|---|---|---|
| A final dividend was not paid for the year ending 31 December 2020 (2019: 4.6 cents). | – | 12,840 |
| Paid in cash | – | 12,840 |
| **Total dividends** | – | 12,840 |
| 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 3.5 cents per share (2020: nil). The aggregate amount of the proposed dividend expected to be paid on 15 September 2021, but not recognised as a liability at the end of the half-year, is: | **9,675** | – |

# Notes to the Consolidated Financial Statements (continued)

## 4 TAXATION

### 4.1 INCOME TAX AND DEFERRED TAX

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. The ATO is seeking to apply penalties at the rate of 50% to the years 2009 to 2015.

HT&E has lodged objections with the ATO in 2018 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.

In summary, the ATO's position in relation to this matter involves $102.5 million of tax adjustments, plus $49 million of penalties, plus interest which has accrued to 30 June 2021 (and continues to accrue).

While these dispute processes are being completed, HT&E has deposited 50% of the tax in dispute with the ATO, in line with the 50:50 payment arrangement agreed with the ATO. The deposit, totalling $50.7 million, was paid in two instalments in 2018.

Interest consists of $27.5 million applied with the amended assessments and a further $33.7 million interest accrued to 30 June 2021, together totalling $61.2 million. Interest is deductible and claimed as the tax returns are submitted.

If the ATO is wholly successful in the dispute, the ATO should remit 50% of the interest from the date of the tax deposited in 2018. This remission of interest together with the tax deduction would reduce the net interest cost to approximately $31.1 million. If HT&E is wholly successful, the ATO should remit all the interest accrued. At completion of the dispute, any remitted interest already deducted would be treated as assessable income and taxed in that future year.

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: 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 unresolved 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. 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.

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 $30.5 million has been recorded in respect of the New Zealand branch matter against the Deposit of Tax in Dispute, in line with the requirements of AASB Interpretation 23. This figure includes an additional $0.5 million and is an estimate involving judgement of the probability-weighted amounts and may not reflect the final outcome.

A $1.8 million non-current asset consists of the $50.7 million deposit of tax in dispute, reduced by the $30.5 million provision and further reduced by $18.4 million for the value of tax deductions on interest to 30 June 2021. If HT&E is wholly successful, the $30.5 million provision and tax deductions on interest would reverse.

In respect of the loan forgiveness 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. Tax expense of $3.5 million has been recorded in respect of the loan forgiveness matter in line with the requirements of AASB Interpretation 23. This figure is an estimate involving judgement of the probability-weighted amounts and may not reflect the final outcome.

### CAPITAL LOSSES

Based on the tax return submitted for the year ended 31 December 2019, the Company has capital losses of $80.6 million (pre-tax). Assuming various rules are met, these capital losses should be available to shelter future capital gains. No deferred tax asset is recorded for these capital losses as they may only be utilised in the event of capital gains and cannot be applied against revenue income.

### 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 2021 is 28.9%, compared to 28.5% for the six months to 30 June 2020.

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

| | June 2021 $'000 | June 2020 $'000 |
|---|---|---|
| Income tax expense differs from the prima facie tax as follows | | |
| Profit/(loss) before income tax expense | **21,333** | (53,333) |
| | | |
| Prima facie income tax at 30% | **6,400** | (16,000) |
| Provisions for uncertain tax treatments | **4,000** | – |
| Difference in international tax treatments and rates | **(70)** | 1,600 |
| Non-deductible impairment charge | **–** | 17,221 |
| Loss on disposal of business | **–** | 105 |
| Unrecognised tax losses | **–** | 537 |
| Reclass foreign currency translation reserve to income statement | **–** | 135 |
| Share of profits of associates | **(1,325)** | (766) |
| Other | **392** | 28 |
| Under-provision in prior years | **10** | 1,738 |
| **Income tax expense** | **9,407** | 4,598 |

# 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 2021 | Dec 2020 | June 2021 | Dec 2020 | |
| Brisbane FM Radio Pty Ltd | Australia | Australia | 50% | 50% | 50% | 50% | Commercial radio |

### 5.2 SHARES IN OTHER CORPORATIONS

| | June 2021 $'000 | Dec 2020 $'000 |
|---|---|---|
| Shares in other corporations | **49,019** | 46,583 |

The Group has shares in oOh!media Limited (OML) which are designated as fair value through other comprehensive income. The shares are not held for sale. The investment in OML was revalued as at 30 June 2021, and a $1.7 million fair value gain, net of tax (June 2020: $5.0 million), was recognised in other comprehensive income. Refer to note 3.2 for more information on determining the fair value.

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 2021. 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 2021 | Ownership interest Dec 2020 | Nature of relationship | Measurement method | Consolidated carrying values June 2021 $'000 | Consolidated carrying values Dec 2020 $'000 |
|---|---|---|---|---|---|---|---|
| Soprano Design Limited | Australia | **25%** | 25% | Associate(i) | Equity method | **–** | 19,829 |
| Nova Entertainment (Perth) Pty Ltd | Australia | **50%** | 50% | Associate(ii) | Equity method | **31,207** | 31,491 |

(i) Soprano Design 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. Please refer to note 6.1 for more information.
(ii) Nova Entertainment (Perth) Pty Ltd, an FM radio station in Perth, became an associate of the Group on 1 March 2020, and was previously classified as an equity investment within Shares in Other Corporations.

| | June 2021 $'000 | June 2020 $'000 |
|---|---|---|
| Total investments accounted for using the equity method | **31,207** | 51,580 |
| Share of profits of associates and joint ventures (i) | **4,418** | 2,554 |

(i) The June 2020 result includes Nova Entertainment (Perth) Pty Ltd, from 1 March 2020.

### (i) Impairment test of investment in Nova 93.7FM

At 30 June 2020, 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 were 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 assumed 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 were prepared on a detailed basis based on their nature. Variable costs were forecasted to move in line with revenue movements. Personnel costs were forecasted to move in line with headcount and adjusted for expected inflation. Other costs were forecasted 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.

# Notes to the Consolidated Financial Statements (continued)

## 6 OTHER

### 6.1 SOPRANO SALE

On 18 May 2021, HT&E announced that the shareholders in Soprano Design Limited, in which HT&E Limited holds a 24.9% stake, signed a non-binding term sheet to sell 100% of shares in Soprano to Link Mobility Group Holdings AS (Link), a global CPaaS provider listed on the Oslo stock exchange.

The transaction will create a global, market leading CPaaS player of scale, with complementary geographic and client coverage, best-in-class products and technology and the potential for material revenue and cost synergies.

The terms of the agreement value Soprano at NOK 3,590 million, representing approximately $560 million, with HT&E's stake valued at approximately $139 million. HT&E will receive $6.2 million cash up front (before transaction costs) and a shareholding of approximately 5.8% in the combined Link / Soprano business.

Link shares will be held in escrow for a period of 6 months following completion of the sale, after which HT&E is permitted to dispose of all or a portion of the shares via an off-market block trade or sell down a maximum of 3 million shares per month on market. The escrow period concludes 18 months following completion of the sale.

The sale process is progressing well, and it is expected that a binding Share Sale Agreement will be executed shortly.

Completion of the sale is subject to certain regulatory approvals and customary completion practices. There is no certainty that this transaction will occur.

At 30 June 2021, Soprano has been classified as an asset held for sale, and disclosed within current assets.

#### ACCOUNTING POLICY

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets classified as held for sale are presented separately from other assets in the balance sheet.

### 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 2021, the facilities had been drawn to the extent of $7.6 million (31 December 2020: $6.3 million), of which $3.3 million of the balance pertains to bank guarantees.

The Group did not have any other contingent liabilities as at 30 June 2021 (31 December 2020: $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.

# Notes to the Consolidated Financial Statements (continued)

## 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 2020. 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 2021.

#### IFRS Interpretations Committee Agenda Decision Configuration Costs in a Cloud Computing Arrangement

The March 2021 IFRS IC update included an agenda decision on the configuration and customisation costs in a Cloud Computing Arrangement which was ratified by the IASB in April 2021. The agenda included steps that should be considered in accounting for Cloud Computing costs. The Group has assessed that there is no material impact on the Group in the current period or prior period.

### 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.

## 6.4 SUBSEQUENT EVENTS

Since the end of the period, the Directors have declared the payment of a fully franked interim dividend of 3.5 cents per share, to be paid on 15 September 2021 (refer to note 3.4).

The Directors are not aware of any matter or circumstance that has arisen since 30 June 2021 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 31 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 2021 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
19 August 2021

# Independent Auditor's Report

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

### REPORT ON THE HALF-YEAR FINANCIAL REPORT

#### CONCLUSION

We have reviewed the 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 2021, 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, significant accounting policies and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*

#### BASIS FOR CONCLUSION

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### RESPONSIBILITIES OF THE DIRECTORS 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.

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# Independent Auditor's Report

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## AUDITOR'S RESPONSIBILITIES FOR THE REVIEW OF THE HALF-YEAR FINANCIAL REPORT

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2021 and of 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*.

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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Louise King

Partner

Sydney

19 August 2021