Half Year Financial Report and Appendix 4D

HT&E Limited and controlled entities

For the period ended 30 June 2018

Contents

Results for announcement to the market for the half-year ended 30 June 2018
(previous corresponding period: half-year ended 30 June 2017)

AS REPORTED

	June 2018 $'m	June 2017 $'m	Change %
Revenue from continuing activities	137.0	124.8	10%
Revenue from discontinued operations	98.9	108.7	(9%)
Net profit/(loss) attributable to members of the parent	27.2	15.8	72%

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 2017 dividend	4.0 cents	4.0 cents	29 March 2018	26 April 2018
Interim 2018 dividend	3.0 cents	3.0 cents	31 August 2018	27 September 2018

Net tangible assets per share	June 2018 $'m	December 2017 $'m
Net tangible asset backing per ordinary share	(0.42)	(0.49)
Net asset backing per ordinary share	1.95	1.90

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 2018.

1. DIRECTORS

The Directors of the company at any time during the half-year ended 30 June 2018 or up to the date of this report are as follows. Directors held office for the entire period unless otherwise stated:

Robert Kaye SC (appointed 19 February 2018, appointed Interim Chairman effective 30 June 2018)

Peter Cosgrove (Chairman, resigned 30 June 2018)

Ciaran Davis (Managing Director)

Christine Holman

Paul Connolly

Peter Cullinane (resigned 7 May 2018)

Anne Templeman-Jones (resigned 14 May 2018)

2. REVIEW OF OPERATIONS

Refer to Operating and Financial Review included in this report.

3. DIVIDENDS

The Directors have declared a dividend of 3.0 cents per ordinary share fully franked, to be paid for the half-year ended 30 June 2018. The record date for the dividend is 31 August 2018 and the dividend will be payable on 27 September 2018.

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.

Robert Kaye
Interim Chairman

15 August 2018
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 2018 was $13.5 million, compared to a profit of $8.6 million in 2017, an increase of 57%.

H1 2018 financial information includes the results from operations of the Australian Radio Network (ARN), Hong Kong Outdoor and other investments. The results from operations of Adshel are presented as discontinued operations following the announcement on 25 June 2018 of its sale to oOh!media Limited. The sale remains subject to ACCC approval.

Revenues from continuing operations increased 10% to $137.0 million. Revenue growth in ARN and Hong Kong Outdoor was partly offset by declines in Emotive and Conversant Media, driven by challenging online display advertising conditions. Group costs from continuing operations before interest, tax, depreciation and amortisation, and exceptional items were up 6% to $109.8 million, driven by revenue growth and full year effect of new contracts in Hong Kong Outdoor, net increases at ARN from cost of sales growth, marketing spend reinstatement and some digital capability investment offset by licence fee costs in 2017. As a result, EBITDA from continuing operations increased by 28% to $30.4 million in the first half. On a continuing basis, depreciation and amortisation was flat at $2.7 million. This resulted in EBIT from continuing operations of $27.6 million compared with $21.2 million in 2017, an increase of 31%. Normalising for the impact of the radio licence fee cuts, the increase in EBITDA and EBIT would be 17% and 19% respectively.

If Adshel had been treated as a continuing operation, Group revenue would have increased 1% to $234.8 million. Cost savings at Adshel associated with the loss of the Yarra Trams contract were partially offset by new contract wins. Group costs therefore would have decreased by 1% to $187.0 million. Consequently Group EBITDA before exceptional items would have increased 11% to $51.0 million for the half. With continued investment in digitisation at Adshel, Group depreciation would have increased from $9.8 million to $10.5 million, resulting in Group EBITA of $40.5 million compared with $36.3 million in 2017. Normalising for the impact of the radio licence fee cuts, the increase in EBITDA and EBITA would have both been 6%.

Interest expense related to continuing operations, declined from $4.6 million in 2017 to $4.1 million in 2018 due to lower debt levels year on year, offset by interest associated with the $50.7 million tax deposits made in the first half. The effective tax rate remained steady at approximately 31%.

Net debt increased to $176.5 million from $114.8 million due to the deposit of tax in dispute of $50.7 million and, as outlined in the February results presentation, timing of tax instalment payments now that revenue losses have been fully utilised. Approximately $12 million in capital expenditure has been incurred in the first half, of which $10.4 million was in Adshel.

As noted in the Adshel sale announcement on 25 June 2018, assuming the sale completes, net proceeds will be used to pay down drawn debt and return cash to shareholders through a fully franked special dividend and on-market share buyback.

Australian Radio Network

In a radio market up 5.9% in the first half, ARN outperformed with revenue growth of 7% year on year (9% after impact of changes to accounting standards) to $118.0 million, in line with guidance provided at the May 2018 AGM. As outlined in February, cost growth (normalising for the impact of licence fee cuts in 2017) exceeded revenue growth, with costs up 11% to $80.3 million. With the benefit of the 2017 licence fee cuts, reported costs were up 7%. Ignoring the benefit of licence fee cuts, EBITDA was up 7% to $37.7 million, while on a reported basis EBITDA was up 13% year on year.

In February 2018 we outlined our plans for ARN in 2018 and beyond. These included to grow ratings and gain revenue share by recruiting and retaining the best radio talent in Australia, including through strengthening Melbourne and Perth. We are also focused on building the future of audio entertainment in Australia, with an expanded digital offering and iHeartRadio being a key strategic pillar.

After ending 2017 as the leading national radio network in Australia, a number of changes were made to our on-air talent at the beginning of 2018. New breakfast shows on KIIS in Melbourne, 96FM in Perth and a new national KIIS drive show commenced in January, and in June the Christian O'Connell Breakfast Show launched on Gold 104.3 in Melbourne. While we

Directors' Report

are encouraged by progress to date, we continue to focus on improving our offering to deliver engaging content to grow the audience base.

Content changes saw an initial decline in ratings from the highs of survey 8 2017. By survey 4, ARN had delivered steady ratings improvement. In Sydney, WSFM achieved its best result in 20 years with its number one overall FM rating, while Jonesy and Amanda held the #2FM breakfast show, only behind Kyle and Jackie O who have held #1FM in breakfast for 22 consecutive surveys. Gold in Melbourne was #1FM overall, with breakfast growing share to achieve #2FM in the first survey for the Christian O'Connell Breakfast Show. Adelaide retained its clear number one overall position, which it has held for 17 consecutive surveys.

DAB+ has been reported in GFK Surveys since the beginning of 2018. By survey 4, ARN's iHeartRadio "The 80s" was the #1 DAB+ station in Australia, while The Edge was #1 Sydney DAB+ station. iHeartRadio continues to grow, and now houses Australia's most comprehensive library of podcasts, sourced from partnerships with numerous international podcast libraries, such as Libsyn, Spreaker, Blog Talk and iHeartMedia. iHeartRadio app downloads now exceed 1.7 million with more than 1.1 million registered users. In late 2017 ARN commenced commercialising the iHeartRadio audience utilising dynamic advertising insertion technology developed by AdsWizz. Plans to further expand the iHeartRadio offering are currently being developed.

Adshel

Adshel delivered a solid outcome in the first half. Revenue was down 9% to $98.9 million, and costs were down 9% to $78.3 million, resulting in EBITDA of $20.6 million, down 7% or $1.6 million year on year. These results were driven by the $11.8 million in half-year revenue impact and $8.7 million in costs associated with the loss of the Yarra Trams contract in Q4 2017. On a normalised (ex-Yarra Trams) basis, revenue was up 2.1%.

Contrary to network impact estimates in October 2017, which assumed both digital and static revenue loss, the key challenge faced by Adshel in H1 related to the loss of the national Adshel Live digital network, with Melbourne street furniture digital unable to be offered to advertisers. Significant effort has gone into reinstating this network: the Metro Trains Melbourne assets went live in April and saw an immediate uplift in advertiser engagement with the digital network. This is expected to improve further once digital street furniture conversions commence in the Public Transport Victoria contract, expected in H2. Adshel Classic formats remained resilient in the first half with overall yield flat.

As outlined at HT&E's Annual General Meeting in May 2018, Adshel has successfully renewed a number of key contracts in the first half and extended a number of others. Contracts including Ryde and Lane Cove were retained through public tender processes, while Sydney Trains and Public Transport Victoria (amongst others) have been extended on favourable terms. The lucrative Sydney council of Hunters Hill was also won from a competitor. At the time of writing, Adshel was awaiting the outcome of the key Brisbane City Council tender, and had submitted its Expression of Interest for the highly sought after joint advertising / public WIFI City of Sydney contract, in partnership with Optus. The business remains confident in its ability to win and retain key landlord relationships.

HT&E has entered into binding documentation to sell Adshel to oOh!media Limited for an implied enterprise value of $570 million. The divestment is subject to ACCC approval, and if approved, completion is expected to occur in 2018. The sale, if completed, achieves a compelling value outcome for HT&E shareholders.

Other

Hong Kong Outdoor

The outdoor media sector in Hong Kong improved in 2018. As a result of Cody's approach to pursuing strategic contract wins while actively exiting underperforming contracts, and its strict focus on cost management, the business achieved an EBITDA positive result in the first half – the first in three years. Revenue was up 28% year on year to HKD 89.6 million, and costs were down 13% to HKD 88.0 million.

Directors' Report

HT&E Events

The inaugural Gfinity Australia Elite Series commenced during the first half. Australia's first city-based professional esports franchise league, the Elite Series sees six teams compete over seven weeks across three game titles: CS:GO, Rocket League and Street Fighter V, hosted in a purpose built, dedicated esports arena at Hoyts Entertainment Quarter in Sydney. Content was streamed live on Twitch, while Rocket League was broadcast live on Ten Network's One.

Elite Series Season 1 was a great success. Three major sponsors, over seventy hours of intense game play, cumulative viewership across both Twitch and One of more than 4.8 million people and more than 3.5 million unique streaming viewers, with nearly 5.5 million social media impressions over the seven weeks.

Elite Series Season 2 will commence in November 2018.

Directors' Report

FINANCIAL PERFORMANCE

	Segment result		Exceptional items		Statutory result	
AUD million[3]	H1 2018	H1 2017	H1 2018	H1 2017	H1 2018	H1 2017
Revenue	137.0	124.8	-	-	137.0	124.8
Other income before finance income	3.2	2.4	-	-	3.2	2.4
Share of associates' profits	0.0	0.6	-	-	0.0	0.6
Costs	(109.8)	(103.9)	1.4	4.6	(108.4)	(99.3)
EBITDA[1]	30.4	23.8	1.4	4.6	31.7	28.4
Depreciation and amortisation	(2.7)	(2.6)	-	-	(2.7)	(2.6)
EBIT[2]	27.6	21.2	1.4	4.6	29.0	25.8
Net interest expense	(4.1)	(4.6)	-	-	(4.1)	(4.6)
Tax	(7.4)	(5.2)	0.0	(1.4)	(7.4)	(6.6)
Profit from continuing operations	16.1	11.4	1.3	3.2	17.5	14.6
Profit from discontinued operations	4.1	4.2	8.2	-	12.4	4.2
NPAT	20.2	15.6	9.6	3.2	29.8	18.8
Profit attributable to HT&E shareholders	17.6	12.8	9.6	3.0	27.2	15.8
Non-controlling interest	2.6	2.8	-	0.3	2.6	3.0
NPAT	20.2	15.6	9.6	3.2	29.8	18.8
Profit from continuing operations	16.1	11.4	1.3	3.2	17.5	14.6
Less non-controlling interest	(2.6)	(2.8)	-	(0.3)	(2.6)	(3.0)
Profit from continuing operations attributable to HT&E Shareholders	13.5	8.6	1.3	3.0	14.9	11.6

1. Earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations and before exceptional items, represents Group's total segment result.
2. Earnings before interest and tax (EBIT) from continuing operations and before exceptional items.
3. Totals may not add due to rounding.

Auditor's Independence Declaration

As lead auditor for the review of HT&E Limited for the half-year ended 30 June 2018, 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.

MK Graham
Partner
PricewaterhouseCoopers

Sydney
15 August 2018

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 15 August 2018.

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 6.4.

SIGNIFICANT EVENTS IN THE CURRENT REPORTING PERIOD

ADSHEL SALE

On 23 June 2018, HT&E entered into a binding agreement with oOh!media Limited to sell 100% of share capital in Adshel 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. The divestment is subject to Australian Competition and Consumer Commission ("ACCC") approval and if approved, completion is expected to occur in 2018. Refer to note 6.1 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 2018

	Note	June 2018 $'000	Restated* June 2017 $'000
Revenue from continuing operations	1.1	**136,951**	124,806
Other revenue and income	1.1	**3,258**	2,406
Total revenue and other income		**140,209**	127,212
Expenses from continuing operations before finance costs, depreciation and amortisation		**(108,384)**	(99,306)
Finance costs		**(4,218)**	(4,679)
Depreciation and amortisation		**(2,745)**	(2,642)
Share of profits of associates	5.2	**13**	581
Profit before income tax	1.2	**24,875**	21,166
Income tax expense	4.1	**(7,424)**	(6,555)
Profit for the year from continuing operations		**17,451**	14,611
Profit for the year from discontinued operations	6.1	**12,360**	4,230
Profit for the year		**29,811**	18,841
Profit for the year is attributable to:			
Owners of the parent entity		**27,214**	15,814
Non-controlling interests		**2,597**	3,027
Profit for the year		**29,811**	18,841

		Cents	Cents
Earnings per share from continuing operations			
Basic/Diluted earnings per share	1.3	**4.8**	3.8
Earnings per share from continuing and discontinued operations			
Basic/Diluted earnings per share	1.3	**8.8**	5.1

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

*The Group has initially applied AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* at 1 January 2018. Under the transition methods chosen, comparative information is restated for the implementation of AASB 15. Refer to note 6.4.

Consolidated Statement of Comprehensive Income

FOR THE PERIOD ENDED 30 JUNE 2018

	Note	June 2018 $'000	Restated* June 2017 $'000
Profit for the year		**29,811**	18,841
Items that may be reclassified to profit or loss			
Net exchange difference on translation of foreign operations		**1,301**	2,369
Net gain/(loss) on fair value hedges		**266**	(134)
Other comprehensive income, net of tax		**1,567**	2,235
Total comprehensive income		**31,378**	21,076
Total comprehensive income is attributable to:			
Owners of the parent entity		**28,781**	18,049
Non-controlling interests		**2,597**	3,027
		31,378	21,076
Total comprehensive income is attributable to owners of the parent entity arises from:			
Continuing operations		**15,302**	11,446
Discontinued operations		**13,479**	6,603
		28,781	18,049

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

*The Group has initially applied AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* at 1 January 2018. Under the transition methods chosen, comparative information is restated for the implementation of AASB 15. Refer to note 6.4.

Consolidated Balance Sheet

AS AT 30 JUNE 2018

	Note	June 2018 $'000	Restated* Dec 2017 $'000
Current assets			
Cash and cash equivalents		**13,471**	18,773
Receivables		**58,471**	91,006
Inventories		**–**	2,344
Other current assets		**2,458**	9,332
Assets held for sale	6.1	**454,002**	–
Total current assets		**528,402**	121,455
Non-current assets			
Shares in other corporations	3.2	**33,894**	33,279
Investments accounted for using the equity method	5.2	**17,677**	18,696
Property, plant and equipment		**15,772**	84,098
Intangible assets	2.1	**428,561**	769,235
Deposit of tax in dispute	4.1	**50,670**	–
Other non-current assets		**6,062**	2,937
Total non-current assets		**552,636**	908,245
Total assets		**1,081,038**	1,029,700
Current liabilities			
Payables		**29,355**	60,734
Contract liabilities	6.4	**9,015**	5,262
Current tax liabilities	4.1	**4,506**	20,218
Provisions		**6,228**	14,021
Liabilities directly associated with assets held for sale	6.1	**80,565**	–
Total current liabilities		**129,669**	100,235
Non-current liabilities			
Payables		**952**	2,632
Interest bearing liabilities	3.1	**189,992**	133,077
Derivative liabilities		**398**	778
Provisions		**5,616**	19,700
Deferred tax liabilities	4.1	**115,817**	150,599
Total non-current liabilities		**312,775**	306,786
Total liabilities		**442,444**	407,021
Net assets		**638,594**	622,679
Equity			
Contributed equity	3.3	**1,531,567**	1,531,567
Reserves		**(49,311)**	(50,712)
Accumulated losses		**(880,139)**	(895,095)
Total parent entity interest		**602,117**	585,760
Non-controlling interests		**36,477**	36,919
Total equity		**638,594**	622,679

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

*The Group has initially applied AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* at 1 January 2018. Under the transition methods chosen, comparative information is restated for the implementation of AASB 15. Refer to note 6.4.

Consolidated Statement of Cash Flows

FOR THE PERIOD ENDED 30 JUNE 2018

	Note	June 2018 $'000	Restated* June 2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**254,065**	247,616
Payments to suppliers and employees (inclusive of GST)		**(208,752)**	(226,727)
Dividends received		**328**	–
Interest received		**125**	109
Interest paid		**(4,050)**	(4,466)
Income taxes paid		**(24,998)**	(7,504)
Deposit of tax in dispute		**(50,670)**	–
Net cash (outflows)/inflows from operating activities		**(33,952)**	9,028
Cash flows from investing activities			
Payments for property, plant and equipment		**(8,904)**	(4,731)
Payments for software		**(2,995)**	(1,536)
Proceeds from sale of property, plant and equipment		**58**	–
Payments for other intangible assets		**(4)**	(1,808)
Net (payments) from sale of businesses		**–**	(878)
Net loans repaid by other entities		**1,715**	2,197
Dividends received from associates		**1,250**	–
Net cash outflows from investing activities		**(8,880)**	(6,756)
Cash flows from financing activities			
Proceeds from borrowings		**86,000**	47,500
Repayments of borrowings		**(29,730)**	(42,353)
Payments for treasury shares		**(197)**	(1,779)
Dividends paid to shareholders	3.4	**(12,357)**	(10,403)
Loans to associates		**(3,250)**	–
Net payments to non-controlling interests		**(3,039)**	(2,640)
Net cash inflows/(outflows) from financing activities		**37,427**	(9,675)
Change in cash and cash equivalents		**(5,405)**	(7,403)
Cash and cash equivalents at beginning of the year		**18,773**	20,223
Effect of exchange rate changes		**103**	(393)
Cash and cash equivalents at end of the year		**13,471**	12,427

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 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* at 1 January 2018. Under the transition methods chosen, comparative information is restated for the implementation of AASB 15. Refer to note 6.4.

Consolidated Statement of Changes in Equity

FOR THE PERIOD ENDED 30 JUNE 2018

	Note	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2017		1,528,022	(45,347)	(682,088)	**800,587**	35,878	**836,465**
Change in accounting policy – tax effect accounting		–	–	(73,997)	**(73,997)**	–	**(73,997)**
Restated total equity at the beginning of the period		1,528,022	(45,347)	(756,085)	**726,590**	35,878	**762,468**
Profit for the period		–	–	15,814	**15,814**	3,027	**18,841**
Other comprehensive income		–	2,235	–	**2,235**	–	**2,235**
Contributions of equity		1,897	–	–	**1,897**	–	**1,897**
Share-based payments expense		–	1,013	–	**1,013**	–	**1,013**
Dividends paid	3.4	–	–	(12,300)	**(12,300)**	–	**(12,300)**
Acquisition of treasury shares		–	(1,779)	–	**(1,779)**	–	**(1,779)**
Transactions with non-controlling interests		–	–	–	**–**	(2,640)	**(2,640)**
Balance at 30 June 2017		1,529,919	(43,878)	(752,571)	**733,470**	36,265	**769,735**
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)**	–	**(649)**
Treasury shares vested to employees		–	779	–	**779**	–	**779**
Dividends paid	3.4	–	–	(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**

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

*The Group has initially applied AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* at 1 January 2018. Under the transition methods chosen, comparative information is restated for the implementation of AASB 15. Refer to note 6.4.

Notes to the Consolidated Financial Statements

1 GROUP PERFORMANCE

1.1 REVENUES

	Note	June 2018 $'000	Restated* June 2017 $'000
Revenue and other income			
Advertising revenue		**132,986**	121,085
Services revenue		**3,890**	3,244
Other revenue		**75**	477
Total Revenue		**136,951**	124,806
Gains on financial assets held at fair value through profit or loss		**2,403**	2,188
Dividend income		**328**	–
Other		**432**	167
Other income		**3,163**	2,355
Interest income		**95**	51
Total other revenue and income		**3,258**	2,406
Total revenue and other income		**140,209**	127,212
From discontinuing operations			
Total revenue and other income	6.1	**99,003**	108,736

*The Group has initially applied AASB 15 *Revenue from Contracts with Customers* at 1 January 2018. Under the transition methods chosen, comparative information is restated. Changes in revenue accounting policy due to adoption of AASB 15 are detailed in note 6.4.

Notes to the Consolidated Financial Statements

1.2 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)
HK Outdoor	Billboard, transit and other outdoor advertising (Hong Kong)
Digital investments	Includes controlling interests in Conversant Media and 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.

The Group has entered into binding documentation to sell the Adshel business. The Adshel business segment is included as a discontinued operation in note 6.1.

(II) RESULTS BY OPERATING SEGMENT

The segment information provided to the Directors and senior management team for the period ended 30 June 2018 is as follows:

2018 $'000	Australian Radio Network	HK Outdoor	Digital investments	Corporate	Group elimination	Total
Revenue from external customers	117,995	14,823	4,306	–	(173)	**136,951**
Share of profits of associates	–	–	13	–	–	**13**
Segment result	37,683	260	134	(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

Notes to the Consolidated Financial Statements

1.2 SEGMENT INFORMATION (CONTINUED)

(II) RESULTS BY OPERATING SEGMENT (CONTINUED)

2017 $'000	Australian Radio Network	HK Outdoor	Digital investments	Corporate	Group elimination	Restated* Total
Revenue from external customers	107,969	11,931	5,795	–	(889)	**124,806**
Share of profits of associates	–	–	581	–	–	**581**
Segment result	33,208	(1,205)	1,205	(9,402)	–	**23,806**
Reconciliation of segment result to profit before income tax						
Segment result						**23,806**
Depreciation and amortisation[A]						**(2,642)**
Net finance costs						**(4,628)**
Other costs[B]						**4,630**
Profit before income tax from continuing operations						**21,166**

Explanation of statutory adjustments
(A) Consists of depreciation of $2.1 million and amortisation of $0.5 million.
(B) One off benefit from the retrospective application of Australian Communications and Media Authority (ACMA) licence fee relief for the prior period announced by the Australian Government in November 2017.

*The Group has initially applied AASB 15 *Revenue from Contracts with Customers* at 1 January 2018. Under the transition methods chosen, comparative information is restated. Changes in revenue accounting policy due to adoption of AASB 15 are detailed in note 6.4.

1.3 EARNINGS PER SHARE

	June 2018 $'000	June 2017 $'000
a Reconciliation of earnings used in calculating earnings per share (EPS)		
Profit from continuing operations attributable to owners of the parent entity	**14,854**	11,584
Profit from discontinued operations attributable to owners of the parent entity	**12,360**	4,230
Profit attributable to owners of the parent entity used in calculating basic/diluted EPS	**27,214**	15,814

	Number	Number
b Weighted average number of shares		
Weighted average number of shares used as the denominator in calculating basic EPS	**308,912,092**	307,751,965
Weighted average number of Treasury shares	**(56,998)**	(180,282)
Adjusted for calculation of diluted EPS		
Unvested rights	**524,315**	470,527
Weighted average number of shares used as the denominator in calculating diluted EPS	**309,379,409**	308,042,210

While rights have been issued to Key Management Personnel under the 2017 and 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 2018 $'000	Dec 2017 $'000
Goodwill	**54,948**	273,796
Software and other intangibles – net of accumulated amortisation	**38**	3,813
Radio licenses – net of accumulated amortisation	**371,936**	372,170
Licences and relationships – net of accumulated amortisation	**–**	114,833
Brands – net of accumulated amortisation	**1,639**	4,623
	428,561	769,235

The reduction in intangible assets is predominately due to the reclassification of Adshel as an asset held for sale. Refer to note 6.1.

Notes to the Consolidated Financial Statements

3 CAPITAL MANAGEMENT

3.1 INTEREST BEARING LIABILITIES

	June 2018 $'000	Dec 2017 $'000
Non-current interest bearing liabilities		
Bank loans – secured (i)	**189,992**	133,604
	189,992	133,604
Deduct:		
Borrowing costs	**7,401**	7,401
Accumulated amortisation	**(7,401)**	(6,874)
Net borrowing costs	**–**	527
Total non-current interest bearing liabilities	**189,992**	133,077
Net debt		
Non-current interest bearing liabilities	**189,992**	133,077
Net borrowing costs	**–**	527
Cash and cash equivalents	**(13,471)**	(18,773)
Net debt	**176,521**	114,831

(i) The Group's revolving cash facility matures on 1 July 2019. As noted in the Adshel sale announcement on 25 June 2018, net proceeds from the sale will first be used to repay drawn debt. The sale is subject to ACCC approval. The Company has commenced a process to extend some of its debt facilities to provide liquidity for future opportunities and contingencies.

Notes to the Consolidated Financial Statements

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 2018 and 31 December 2017:

Dec 2017	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	–	–	33,279	**33,279**
Total financial assets	–	–	33,279	**33,279**
Non-financial assets				
Freehold land and buildings				
Freehold land	–	–	1,083	**1,083**
Buildings	–	–	625	**625**
Total non-financial assets	–	–	1,708	**1,708**
Recurring fair value measurements				
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative liabilities	–	778	–	**778**
Total financial liabilities	–	778	–	**778**

June 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	–	–	33,894	**33,894**
Total financial assets	–	–	33,894	**33,894**
Non-financial assets				
Freehold land and buildings				
Freehold land	–	–	1,085	**1,085**
Buildings	–	–	605	**605**
Total non-financial assets	–	–	1,690	**1,690**
Recurring fair value measurements				
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative liabilities	–	398	–	**398**
Total financial liabilities	–	398	–	**398**

Notes to the Consolidated Financial Statements

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. There are no outstanding non-current receivables as at 30 June 2018 (level 3).

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

The fair value of non-current borrowings disclosed is estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial instruments. For the period ended 30 June 2018, the borrowing rates were determined to be between 2.3% and 3.6% per annum, depending on the type of borrowing. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant (level 2).

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 fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

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 $2.4 million (2017: $2.2 million) was recorded in other income for shares in other corporations. There were no other material level 3 fair value movements during the year.

Notes to the Consolidated Financial Statements

3.3 CONTRIBUTED EQUITY

	June 2018 $'000	Dec 2017 $'000
Issued and paid up share capital	**1,531,567**	1,531,567

(A) MOVEMENTS IN CONTRIBUTED EQUITY DURING THE FINANCIAL YEAR

	June 2018 Number of shares	Dec 2017 Number of shares	June 2018 $'000	Dec 2017 $'000
Balance at beginning of the year	**308,912,092**	307,494,273	**1,531,567**	1,528,022
Dividend reinvestment plan[A]	–	1,417,819	–	3,545
Balance at end of the period	**308,912,092**	308,912,092	**1,531,567**	1,531,567

(A) The Company has a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. The Directors have determined to suspend the DRP, effective from 15 February 2018.

3.4 DIVIDENDS

	June 2018 $'000	June 2017 $'000
Final dividend for the year ended 31 December 2017 of 4.0 cents per share, fully franked, paid on 26 April 2018 (2016: 4.0 cents).	**12,357**	12,300
Paid in cash	**12,357**	10,403
Issued under dividend reinvestment plan	–	1,897
Total dividends	**12,357**	12,300
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 3.0 cents per share (2017: 3.0 cents). The aggregate amount of the proposed dividend expected to be paid on 27 September 2018, but not recognised as a liability at the end of the half-year, is:	**9,267**	9,246

The Directors have determined that the Company's dividend reinvestment plan (DRP) remains suspended at this time.

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 2018 is 31.5%, compared to 31% for the six months to 30 June 2017.

New Zealand branch matter

On 22 January 2018 and 1 May 2018, the Australia Tax 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. It is intended that once that year's tax return is submitted, an objection will be lodged concurrently rather than waiting for an amended assessment.

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 2009-2015.

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 amended assessments and shall also lodge objections regarding the penalties 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 million paid on 25 May 2018.

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 2018	Dec 2017	June 2018	Dec 2017	
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 2018. 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 2018 $'000	Dec 2017 $'000
Soprano Design Pty Limited	Australia	**25%**	25%	Associate[1]	Equity method	**13,135**	13,784
HT&E Events Pty Limited	Australia	**50%**	50%	Joint Venture[2]	Equity method	**877**	1,121
Unbnd Group Pty Ltd	Australia	**50%**	50%	Joint Venture[3]	Equity method	**3,665**	3,791

(1) 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.
(2) 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.
(3) 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 and the carrying value includes $1.5 million provision for earn-out payments which are subject to specific performance objectives.

	June 2018 $'000	June 2017 $'000
Total investments accounted for using the equity method	**17,677**	18,696
Share of profits of associates and joint ventures	**13**	581

Notes to the Consolidated Financial Statements

6 OTHER

6.1 DISCONTINUED OPERATIONS

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. The sale is subject to ACCC approval and is expected to be completed in 2018.

The results of Adshel are reported as a discontinued operation. The assets and liabilities have been treated as held for sale at 30 June 2018.

(A) ASSETS HELD FOR SALE

At 30 June 2018, the Adshel disposal group was stated at carrying amount and comprised of the following assets:

	June 2018 $'000
Disposal group held for sale	
Receivables	35,230
Inventories	1,634
Property, plant and equipment	67,207
Intangibles	337,934
Other assets	11,997
Total assets of disposal group held for sale	454,002

(B) LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE

At 30 June 2018, the Adshel disposal group was stated at carrying amount and comprised of the following liabilities:

	June 2018 $'000
Disposal group held for sale	
Payables	27,413
Contract liabilities	3,649
Provisions	10,649
Deferred tax liability	38,642
Other	212
Total liabilities	80,565

Notes to the Consolidated Financial Statements

6.1 DISCONTINUED OPERATIONS (CONTINUED)

(C) FINANCIAL PERFORMANCE AND CASH FLOW INFORMATION

	June 2018 $'000	Restated* June 2017 $'000
Revenue and other income	**99,003**	108,736
Expenses before depreciation and amortisation	**(78,459)**	(86,442)
Profit before depreciation, amortisation and income tax	**20,544**	22,294
Depreciation and amortisation	**(14,631)**	(16,260)
Profit before income tax	**5,913**	6,034
Income tax expense	**(1,784)**	(1,804)
Profit from operations	**4,129**	4,230
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**	4,230

	Cents	Cents
Basic/Diluted earnings per share from discontinued operations	**4.0**	1.4

Explanation of items related to 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 ending 30 June 2018 associated with the proposed sale of Adshel

	June 2018 $'000	Restated* June 2017 $'000
Net cash inflows from operating activities	**9,306**	9,703
Net cash outflows from investing activities	**(10,440)**	(5,278)
Net cash outflows from financing activities	**–**	–
Net increase in cash generated by the division	**(1,134)**	4,425

Capital expenditure contracted for at 30 June 2018 but not recognised as liabilities is $21.4 million (31 December 2017: $12.6 million).

*The Group has initially applied AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* at 1 January 2018. Under the transition methods chosen, comparative information is restated for the implementation of AASB 15. Refer to note 6.4.

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 2018, the banking facilities had been drawn to the extent of $203.2 million (31 December 2017: $139.3 million), of which $13.2 million (31 December 2017: $5.7 million) pertain to bank guarantees. $10.6 million of the $13.2m bank guarantees, relates to Adshel (31 December 2017: $3.2 million).

Adshel has provided further financial guarantees under a separate facility of $9.5 million (31 December 2017: $19.6 million) in respect of performance commitments for site rental contracts and property leases.

The Group did not have any other contingent liabilities as at 30 June 2018 and 31 December 2017.

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 RELATED PARTY

On 11 May 2018, Peter Cosgrove and his close family members disposed all shares in MediaCap Pty Limited ("MediaCap" and the "Trustee") and resigned from the MediaCap Board of Directors. Peter Cosgrove and his close family members ceased to control MediaCap Trust and Trustee and MediaCap ceased to be a related party of HT&E from that date. Furthermore, Peter Cosgrove retired as Chairman and Director of HT&E on 30 June 2018.

Notes to the Consolidated Financial Statements

6.4 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 2017. 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 2018.

The Group has adopted AASB 9 *Financial instruments (expected credit loss model)* and AASB 15 *Revenue from Contracts with Customers* from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group Financial statements.

AASB 9 *Financial Instruments*

AASB 9 *Financial Instruments*, the AASB equivalent of IFRS 9 *Financial Instruments*, introduces a new model for classification and measurement of financial assets and liabilities, an 'expected credit loss' ("ECL") impairment model and reformed approach to hedge accounting. In accordance with the transitional provisions of AASB 9, comparative figures have not been restated. The Group had early adopted classification and measurement and hedging requirements, with 31 December 2009 as the date of initial application.

In accordance with the ECL impairment model in AASB 9, the Group was required to revise its methodology and accounting policies for the impairment of trade receivables and contract assets identified in AASB 15 *Revenue from Contracts with Customers.* The Group has assessed the financial impact of adopting the new impairment model on transition to be immaterial.

The accounting policy for impairment of financial assets has been updated and is applicable from 1 January 2018:

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement when determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss ("ECL"). The Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience, current market conditions as well as forward looking estimates at the end of each reporting period.

AASB 15 *Revenue from contracts with customers*

AASB 15 establishes a comprehensive framework for determining the quantum and timing of revenue recognition. The AASB equivalent of IFRS 15 *Revenue from Contract with Customers* replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations.

(a) Impact on opening retained earnings and interim financial statements

The Group has adopted AASB 15 using the full retrospective approach with changes reflected in each prior reporting period presented. The impact, net of tax, of transition to AASB 15 on retained earnings as at 1 January 2017 was immaterial and therefore no adjustment posted.

Implementation of AASB 15 resulted in a reclassification of deferred revenue to contract liabilities of $12.7 million as at 30 June 2018 for continuing and discontinued operations (31 December 2017: $5.3 million). Consistent with the new accounting standard, revenue and expenses from continuing operations for the six months ending 30 June 2018 increased for rebates and contra revenue of $0.9 million and $4.2 million respectively (30 June 2017: $0.2 million and $2.5 million respectively). Revenue and expenses from discontinued operations increased $1.9 million for rebates (30 June 2017: $3.7 million).

There was no other material impact on the Group's interim statement of consolidated income, statement of other comprehensive income and statement of cash flows for the six months ended 30 June 2018.

Notes to the Consolidated Financial Statements

(b) Accounting policies

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below.

Revenue

The Group has concluded AASB 15 does not have a significant impact on the revenue accounting policies. The key revenue streams and policies are detailed below:

Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control requires judgement. The Group recognises revenue when:

- The amount of revenue can be reliably measured;
- It is probable the economic benefit will flow to the Group; and
- The criteria for revenue recognition for each revenue stream has been satisfied.

Revenue is recognised gross of rebates and agency commissions. Payment terms vary between 30 to 45 days from the invoice issue date.

Type of product/service	Segment	Nature, timing of satisfaction of performance obligations
Broadcast revenue	ARN	Revenue is recognised over time based on the contract term. The advertising benefits are transferred to the customer when each advertisement is aired per the contract terms.
Media display advertising revenue	ARN, Adshel (discontinued operations), HK Outdoor	Similar to broadcast revenue, revenue is recognised over time, when the advertisement is displayed or published.
Services revenue	All	Includes production and installation revenue. Production and installation revenue, where it is a distinct service, is recognised by reference to stage of completion of the service.
Other revenue	All	Includes sponsorships, royalties, sale of street furniture and cleaning and maintenance revenue. Revenue is recognised when the service occurs.

Contract costs

The Group applies the practical expedient under AASB 15 *Revenue from Contracts with Customers* to expense contract acquisition costs as they are incurred, as the expected costs have an amortisation period of less than twelve months.

Contract assets and liabilities

Contract assets relate primarily to the Group's rights to consideration for work completed but not billed at each reporting data. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to a customer.

Contract liabilities primarily relate to consideration received in advance from customers, for which the performance obligation is yet to be satisfied.

B) STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below:

The IAS has issued IFRS 16 *Leases*, a new standard for the accounting of leases, replacing IAS 17 *Leases*. It applies to annual reporting periods commencing on or after 1 January 2019. The AASB has issued an equivalent standard, AASB 16 *Leases*. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is

Notes to the Consolidated Financial Statements

removed. Under the new standard, an asset (the right to use the leased item) and a financial liability (obligation to pay for right of use) are recognised. The ongoing income statement classification of what is currently predominantly rental and occupancy expense will be split between depreciation and interest expense.

The standard will primarily affect the accounting for the Group's operating leases which is predominantly in Adshel and HK Outdoor. As at the reporting date, the Group has non-cancellable operating lease commitments of $308.6 million. The Group is in the process of determining to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

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.

6.5 SUBSEQUENT EVENTS

On 2 August 2018, the ATO determined its position on the application of penalties and interest. Refer to note 4.1.

Since the end of the period, the Directors have declared the payment of a fully franked interim dividend of 3.0 cents, to be paid on 27 September 2018 (refer to note 3.4).

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 9 to 30 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 2018 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.

Robert Kaye
Interim Chairman

Sydney
15 August 2018

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 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and consolidated income statement for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for HT&E Limited Group (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 2018 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 2018 and of its performance for the half-year ended on that date;

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

Independent Auditor's Report

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

This review report relates to the half-year financial report of the Company for the half-year ended 30 June 2018 included on HT&E Limited's web site. The Company's directors are responsible for the integrity of the HT&E Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

MGraham

MK Graham
Partner

Sydney
15 August 2018