Half Year Financial Report and Appendix 4D

HT&E Limited and controlled entities
for the period ended 30 June 2017

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Results for announcement to the market for the half-year ended 30 June 2017
(previous corresponding period: half-year ended 30 June 2016)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

As reported

	June 2017 $'m	June 2016 $'m	Change %
Revenue from continuing operations (i)	225.7	129.1	75%
Revenue from discontinued operations (ii)	—	271.6	(100%)
Revenue from ordinary activities	225.7	400.7	(44%)
Net profit/(loss) attributable to members of the parent	15.8	(256.9)	106%

(i) Revenue from discontinued operations includes revenues of NZME prior to demerger on 29 June 2016 and ARM prior to sale completion on 28 December 2016.
(ii) Revenue from continuing operations in 2017 includes revenues of Adshel following acquisition of the remaining 50% on 25 October 2016.

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 2016 dividend	4.0 cents	4.0 cents	31 March 2017	26 April 2017
Interim 2017 dividend	3.0 cents	3.0 cents	4 September 2017	29 September 2017

Net tangible assets per share	June 2017 $	Dec 2016 $
Net tangible asset backing per ordinary share	(0.59)	(0.63)
Net asset backing per ordinary share	2.38	2.36

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 2017.

1. DIRECTORS

The directors of the company at any time during the half-year ended 30 June 2017 or up to the date of this report are as follows. Directors held office for the entire period unless otherwise stated:

Peter Cosgrove (Chairman)

Paul Connolly

Peter Cullinane

Christine Holman

Anne Templeman-Jones

Ciaran Davis (Managing Director)

2. COMPANY CHANGE OF NAME

On 5 May 2017, the company changed its name from APN News & Media Limited to HT&E Limited, as approved by shareholders at its Annual General Meeting (AGM) the day prior. The rebrand followed the significant transformation of the company and its final shift away from traditional publishing. HT&E – Here, There & Everywhere – reflects the company's repositioned portfolio with leading metropolitan media assets across radio, outdoor and digital, and marks a more strategic and integrated collaboration across its businesses. The company's ASX Listing Code changed from APN to HT1 on 9 May 2017.

3. REVIEW OF OPERATIONS

The results of the company for the half year include:

- Revenue from continuing operations of $225,655,000, up 75% on the prior corresponding period
- Segment result from continuing operations (EBITDA before exceptional items) of $46,040,000, up 28% on the prior corresponding period
- Net profit after tax attributable to the owners of the parent entity of $15,814,000, up 106% on the prior corresponding period

Refer to market announcement for additional details.

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 2017. The record date for the dividend is 4 September 2017 and the dividend will be payable on 29 September 2017.

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.

Peter Cosgrove
Chairman

24 August 2017
Sydney

Directors' report cont'd

OPERATING AND FINANCIAL REVIEW

Performance overview

HT&E Limited's (HT&E) statutory profit attributable to shareholders for the period was $15.8 million, compared to a loss of $256.9 million in 2016. Revenues from continuing operations increased 75% to $225.7 million.

H1 2017 financial information includes the results from operations of Adshel following HT&E's acquisition of the remaining 50% of the business in October 2016. Prior to this, Adshel was accounted for as an associate and consequently the comparative financial information includes a 50% share of Adshel's net profit after tax.

If HT&E had owned Adshel and Conversant Media for the full year in 2016, revenues from continuing operations would have been 2% ahead, with Adshel revenue growth of 14% offsetting revenue declines in Australian Radio Network (ARN) and HK Outdoor of 6% and 17% respectively.

On the same basis, earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations and before exceptional items would have been down 9% to $46 million, impacted by challenging trading conditions for ARN and HK Outdoor. Group costs before interest, tax, depreciation and amortisation and exceptional items would have been $179.6 million, up $9.6 million (6%), with revenue related cost of sales in Adshel comprising more than half of this increase. Strong cost control measures held ARN costs flat and reduced HK Outdoor costs by a further $1.7 million.

Net debt has increased marginally to 1.35 times EBITDA from continuing operations, up from 1.21 times in December 2016.

Australian Radio Network

In a weak radio market, down 1.6%, ARN revenues fell 6% to $105.3 million, that was broadly in-line with guidance provided at the May 2017 AGM. Strong cost control measures meant total costs remained flat, however EBITDA was $6.6 million (17%) lower in the period.

A number of key actions have been taken in the period to counteract this disappointing result.

ARN made strategic changes to its commercial structure in 2017, with the appointment in March of Emma-Jayne Owens as Chief Commercial Officer, leading the commercial function across all platforms and markets.

In April, Rob Atkinson, formerly CEO of Adshel, commenced in the role of CEO at ARN, following Tony Kendall's appointment to the newly created HT&E group role of Chief Revenue Officer.

ARN continued to invest in talent, ensuring the delivery of high-quality content, targeted to local audiences across the network. In Brisbane, radio personality Bianca Dye joined 97.3 FM breakfast, and the team regained its #1 breakfast slot by survey 4. In August 2017, ARN secured 3-year contracts with popular and high-rating WSFM breakfast hosts Jonesy & Amanda, allowing ARN to continue building a long-term growth strategy around them and other on-air talent across the network.

The final GfK Radio Ratings survey during the period delivered a positive result around the country for ARN, with growth in every market. In Sydney, KIIS FM's Kyle & Jackie O and WSFM's Jonesy & Amanda were again the #1FM and #2FM Breakfast shows, while in Brisbane, 97.3 FM's Bianca, Terry & Bob took out the #1FM Breakfast spot. In Adelaide, Mix 102.3's Jodie & Soda were #1FM Breakfast for the eighth consecutive survey, with Mix 102.3 the #1 station overall. Ratings performance in Perth continued to improve off the back of a new station format for 96 FM, which launched in January 2017, supported by a significant marketing investment. ARN also saw some positive growth in the highly competitive Melbourne market.

ARN's digital sales team was integrated with Conversant Media's sales team, doubling digital capacity and creating a more complete digital offering, providing greater scale and attractive audiences for advertisers.

ARN's digital music, live radio streaming, and entertainment platform, iHeartRadio, continues to grow, with over 1.2 million app downloads and registered users up 40%.

In early August, ARN launched AdsWizz technology across iHeartRadio, making it the first Australian radio broadcaster to offer clients this sophisticated, targeted audio advertising delivery system in market. This enables ARN to tailor audio advertising to reach audiences with more personalised and relevant advertising messages on the iHeartRadio platform, improving engagement.

Directors' report cont'd

Adshel

Adshel delivered strong revenues and EBITDA of $105 million and $22.2 million, representing growth of 14% and 23% respectively.

The results were driven by digital revenue growth in both Australia and New Zealand and underpinned by above-market performance of the Classic (static) portfolio.

Outdoor Media Association (OMA) data for the period showed revenue growth of 9.2% for Adshel Australia, ahead of total market up 6.4%. In New Zealand, Adshel grew 39%, compared to market, up 29%.

An orderly leadership transition was completed in the period, with Chief Commercial Officer, Mike Tyquin, taking over as CEO from Rob Atkinson in April, following his appointment as CEO of ARN.

The roll-out of Adshel's digital network continued at a solid pace in New Zealand, with the roll out of a further 70 screens nearing completion and expected to come on-line in early Q3. In Australia, the impact of delays in tender outcomes, and approvals for new digital installations in Victoria and WA has meant delays to the capital works timetable and FY17 capital expenditure guidance. Subject to tender outcomes and council approvals, FY17 capex is expected to be approximately $35 to $40 million.

The case for continued digital investment remains strong, with digital revenues accounting for over 30% of total revenues, digital assets comprising less than 10% of total inventory and investment pay-back metrics of less than two years.

Adshel secured exclusive, APAC-first partnerships with global adtech experts Rubicon Project and Lotame, to extend its data and programmatic leadership. Advancements in data, technology and insights will allow for much more enhanced audience and geo-targeting capabilities. This will also allow Adshel to move from selling reach and frequency towards selling more valuable audience profiles.

Hong Kong Outdoor

Hong Kong Outdoor continues to operate in a challenging market with H1 total advertising revenues dropping 17% to $11.9 million.

The business is focused on selectively rebuilding its sales capability and asset portfolio following the conclusion of the buzplay contract in June 2017. The Hong Kong tram shelters contract was secured for five years and commenced in May 2017.

Cost management remains a high priority, with overall costs further reduced by 12% in the period.

A strategic review of the business has commenced.

Investments

Conversant

In a flat market, Conversant Media grew revenues 7% to $2.1 million, while further investment in sales and other capability impacted earnings in the period, down $0.2 million to $0.3 million.

Conversant Media's sports opinion website, The Roar, officially launched its fan-powered video initiative "Club Roar" in May, leading to growth in the strategically important short-form video space. The associated Club Roar Awards launched in June 2017, offering $10,000 in prize money to encourage sporting clubs and individuals to submit videos, boosting the site's user-generated content and promoting the offering. With over 11 million video views of its amateur and grassroots sports videos, The Roar has announced it will run a second Awards in September, off the back of the first round's success.

Emotive

Content marketing agency Emotive, a 51% HT&E investment, achieved revenue and earnings growth of 13% and 3%, to $3.7 million and $0.4 million respectively. Leveraging the growing demand for content specialists, Emotive acquired new clients during the period, including Revlon, Danone Murray Goulburn, HelloFresh, Audible, and Rebel Sport. Emotive also continued to deliver numerous campaigns as the official content agency partner for Optus and Virgin Mobile in Australia.

Over 9.7 million minutes of Emotive social media content was consumed during the period, with over 28.7 million views, and further investment is planned in content performance metrics, including campaign tracking and native content production, to improve accountability. Emotive was awarded 2017 Emerging Agency of the Year by Mumbrella, demonstrating its impact on the local market in just two years.

HT&E Events

In August 2017, HT&E announced it had entered into a joint venture with IKON Media & Entertainment, for a modest investment, to create a new division and brand, HT&E Events. HT&E Events will manage niche events for Australian audiences, enhancing the complementary nature of HT&E's existing radio, outdoor and digital businesses by providing unique content that is targeted to HT&E audiences and is highly relevant for brands.

In its first venture, HT&E Events will create an Australian eSports business, Gfinity eSports Australia, launching Australia's first city-based franchise league, "The Elite Series". A partnership with Gfinity Plc, Gfinity

Directors' report cont'd

eSports Australia will deliver Australian gamers a clear and structured top-to-bottom competitive framework within Australian eSports. "The Challenger Series" will also launch later in Q3, allowing amateur players to compete against each other online, to win the chance to play alongside the professionals in The Elite Series. Supporting HT&E's strategic objectives to diversify revenues and expand its audience base, this new eSports venture presents the opportunity to reach a younger audience base and drive growth for HT&E.

Directors' report cont'd

FINANCIAL PERFORMANCE

	Segment result		Exceptional items		Statutory result	
AUD million	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016
Revenue	225.7	129.1	—	—	225.7	129.1
Other income before finance income	2.4	2.3	—	0.4	2.4	2.8
Share of associates' profits	0.6	5.2	—	—	0.6	5.2
Costs	(182.5)	(100.8)	4.6	(2.7)	(177.9)	(103.6)
EBITDA	46.0	35.9	4.6	(2.3)	50.7	33.6
Depreciation and amortisation	(18.9)	(2.4)	—	—	(18.9)	(2.4)
EBIT	27.1	33.5	4.6	(2.3)	31.8	31.2
Net interest expense	(4.6)	(12.1)	—	—	(4.6)	(12.1)
Tax	(7.0)	(8.0)	(1.4)	(15.5)	(8.4)	(23.5)
Profit/(loss) from continuing operations	15.6	13.4	3.2	(17.8)	18.8	(4.4)
Profit/(loss) from discontinued operations	—	18.0	—	(267.2)	—	(249.3)
NPAT	15.6	31.4	3.2	(285.0)	18.8	(253.6)
Amortisation	9.1	4.1	—	—	9.1	4.1
NPATA (i)	24.7	35.5	3.2	(285.0)	28.0	(249.5)
Profit/(loss) attributable to HT&E shareholders	12.8	28.1	3.0	(285.0)	15.8	(256.9)
Non-controlling interest	2.8	3.3	0.3	—	3.0	3.3
NPAT	15.6	31.4	3.2	(285.0)	18.8	(253.6)
NPATA attributable to HT&E shareholders	22.0	32.2	3.0	(285.0)	25.0	(252.8)
Non-controlling interest	2.8	3.3	0.3	—	3.0	3.3
NPATA (i)	24.7	35.5	3.2	(285.0)	28.0	(249.5)
Diluted EPS – cents (based on NPATA)	7.1	19.3			8.1	(151.4)

(i) Net profit after tax, before amortisation

(ii) 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 2017, 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
24 August 2017

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

About the Interim Financial Statements

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. The half-year 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 HT&E Limited ("the Company"), formerly APN News & Media Limited, 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.

Changes in accounting policies

Intangible assets

The progression of the Adshel and Conversant Media provisional purchase price accounting has led to the recognition of amortising licences and relationships and brands in the period.

The assets amortise on a straight-line basis across the following useful lives:

Licences and relationships – 10 to 15 years

Brands – 3 to 10 years

Licences and relationships represents future income streams attributable to site licences and associated relationships. They are accounted for as identifiable assets and carried at cost less accumulated amortisation and any accumulated impairment losses.

Deferred tax

Recently the IFRS Interpretation Committee (IFRIC) issued an agenda decision which confirmed that an intangible asset with an indefinite useful life is not the same as a non-depreciable asset. As a consequence, entities can no longer presume that such assets will always be recovered through sale in measuring their deferred tax balances. Instead, entities will need to determine whether they expect to recover the carrying amounts of their indefinite life intangible assets through use or sale and reflect this in the measurement of the deferred tax balances.

Following the IFRIC decision, the Group has reviewed the tax effect accounting for its radio licences. The Group previously assumed that the carrying amount of these assets was expected to be recovered through sale, which meant that the capital gains tax base was used in measuring any deferred tax balances recognised. The Group has now changed its accounting policy and is measuring the deferred tax balances for its radio licences assuming recovery through use, as this is a better reflection of how the company expects to recover these assets over the medium term given the recent reset of HT&E's strategy toward radio, outdoor and digital assets in Australia. As there are no tax deductions that can be claimed in relation to the radio licences while they are being held, the new tax base of these assets is zero which requires the recognition of deferred tax liabilities.

The change in policy has been applied retrospectively. For those radio licences acquired as part of business combinations prior to the transition to IFRS, the corresponding adjustment has been made to retained earnings. For those licences obtained subsequent to the Group adopting IFRS corresponding adjustments were necessary to goodwill.

The impacts of these adjustments for 1 January 2016, 31 December 2016 and 30 June 2017 were the recognition of deferred tax liabilities of $94,185,000 and goodwill of $20,188,000, with a corresponding $73,997,000 increase to accumulated losses.

The balance sheet and statement of changes in equity have been restated for the comparative period. There was no impact on the consolidated income statement.

Aside from the above, the accounting policies adopted are consistent with those detailed in the 2016 Annual Report.

All new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period have been adopted.

About the Interim Financial Statements

Significant changes in the current reporting period

Acquisition of Adshel

On 25 October 2016, the Company moved to full ownership of Adshel Street Furniture Pty Limited and Adshel New Zealand Limited, through acquisition of the remaining 50% interest in the Adshel joint venture via the acquisition of Australian Outdoor Pty Limited for $268.4 million. In the comparative period, the Adshel joint venture was accounted for as an associate. The results of this period reflect the Group's full ownership of Adshel.

Acquisition of Conversant Media

On 31 October 2016, the Company acquired 100% of Conversant Media for upfront cash of $11.6 million, with the results of this period inclusive of Conversant Media.

Significant accounting estimates and judgements

The Company 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 financial year 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.

(iii) Business combinations

The acquisition method of accounting is used to account for all business combinations.

The identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the Group's share of the net identifiable assets acquired is recorded as goodwill. The calculation of the fair value of identifiable assets acquired and liabilities and contingent liabilities assumed requires the use of assumptions.

Comparatives

Certain prior period information has been presented to provide a more meaningful comparison.

The comparative information has been presented for the effects of applying *AASB 5 Non-current Assets Held for Sale and Discontinued Operations* following the demerger of NZME and the divestiture of ARM. Refer to note 6.1 'Discontinued operations'. The nature of each change in presentation is as follows:

- All income and expense items relating to the disposed entities have been removed from the individual line items in the income statement. The post-tax profit/(loss) of the discontinued operations is presented as a single amount in the line item entitled 'Profit/(loss) from discontinued operations'
- The net cash flows attributable to the operating, investing and financing activities of the discontinued operations are disclosed in the notes to the financial statements.

Consolidated Income Statement
for the period ended 30 June 2017

	Note	June 2017 $'000	June 2016 $'000
Revenue from continuing operations	1.1	225,655	129,146
Other revenue and income	1.1	2,464	2,976
Total revenue and other income	1.1	228,119	132,122
Expenses from continuing operations before finance costs, depreciation and amortisation		(177,921)	(103,550)
Finance costs		(4,679)	(12,315)
Depreciation and amortisation		(18,901)	(2,369)
Share of profits of associates	5.3	581	5,243
Profit before income tax	1.2	27,199	19,131
Income tax expense	4	(8,358)	(23,498)
Profit/(loss) from continuing operations		18,841	(4,367)
Loss from discontinued operations	6.1	—	(249,257)
Profit/(loss) for the period		18,841	(253,624)
Profit/(loss) is attributable to:			
Owners of the parent entity		15,814	(256,913)
Non-controlling interests		3,027	3,289
Profit/(loss) for the period		18,841	(253,624)

		Cents	Cents
Earnings per share from continuing operations			
Basic/diluted earnings per share	1.3	5.1	(4.6)
Earnings per share from continuing and discontinued operations			
Basic/diluted earnings per share	1.3	5.1	(153.8)

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

Consolidated Statement of Comprehensive Income
for the period ended 30 June 2017

	June 2017 $'000	June 2016 $'000
Profit/(loss) for the period	18,841	(253,624)
Items that may be reclassified to profit or loss		
Net exchange differences on translation of foreign operations	2,369	6,357
Reclassification of foreign currency translation reserves to the income statement on demerger of NZME	—	60,190
Share of associate's other comprehensive income	—	192
Changes in fair value of hedges	(134)	(995)
Asset revaluation reserves written off on sale of ARM	—	(941)
Other comprehensive income, net of tax	2,235	64,803
Total comprehensive income	21,076	(188,821)
Total comprehensive income is attributable to:		
Owners of the parent entity	18,049	(192,110)
Non-controlling interests	3,027	3,289
	21,076	(188,821)
Total comprehensive income attributable to owners of the parent entity arises from:		
Continuing operations	18,049	(2,078)
Discontinued operations	—	(190,032)
	18,049	(192,110)

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

Consolidated Balance Sheet
as at 30 June 2017

	Note	June 2017	Dec 2016 [i]	1 Jan 2016 [ii]
Current assets				
Cash and cash equivalents		12,427	20,223	21,721
Receivables		90,652	86,283	127,220
Inventories		3,017	2,185	6,288
Income tax receivable		—	1,007	31
Other current assets		12,817	13,779	6,796
Total current assets		118,913	123,477	162,056
Non-current assets				
Shares in other corporations	3.2	31,371	31,527	32,077
Investments accounted for using the equity method	5.3	12,838	12,257	53,811
Property, plant and equipment		87,114	93,822	136,777
Intangible assets	2.1	947,964	954,100	732,245
Deferred tax assets		—	—	37,361
Other non-current assets		4,040	840	—
Total non-current assets		1,083,327	1,092,546	992,271
Total assets		1,202,240	1,216,023	1,154,327
Current liabilities				
Payables		64,492	88,778	115,861
Interest bearing liabilities		—	—	1,177
Current tax liabilities	4	8,686	6,544	1,509
Retirement benefit liability		—	1,289	—
Provisions		25,454	17,499	25,631
Total current liabilities		98,632	114,110	144,178
Non-current liabilities				
Payables		5,633	3,411	19,888
Interest bearing liabilities	3.1	166,703	161,309	470,236
Derivative liabilities	3.2	972	780	280
Retirement benefit liability		—	—	1,374
Provisions		8,359	19,580	6,435
Deferred tax liabilities	4	152,206	154,365	124,408
Total non-current liabilities		333,873	339,445	622,621
Total liabilities		432,505	453,555	766,799
Net assets		769,735	762,468	387,528
Equity				
Contributed equity	3.3	1,529,919	1,528,022	1,222,780
Reserves		(43,878)	(45,347)	(137,102)
Accumulated losses		(752,571)	(756,085)	(733,330)
Total parent entity interest		733,470	726,590	352,348
Non-controlling interests		36,265	35,878	35,180
Total equity		769,735	762,468	387,528

[i] Comparatives have been updated for revisions made to provisional accounting balances of Adshel and Conversant Media in the period (refer to note 5.1) as well as a change in accounting policy (refer to note 2.1).
[ii] Comparatives have been updated for a change in accounting policy (refer to note 2.1).

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 2017

	June 2017 $'000	June 2016 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	242,539	458,395
Payments to suppliers and employees (inclusive of GST)	(221,650)	(424,786)
Dividends received	—	1,945
Interest received	109	214
Interest paid	(4,466)	(17,590)
Income taxes paid	(7,504)	(3,622)
Net cash inflows from operating activities	9,028	14,556
Cash flows from investing activities		
Payments for property, plant and equipment	(4,731)	(4,475)
Payments for software	(1,536)	(2,769)
Payments for other intangible assets	(1,808)	(3,750)
Cash transferred on demerger of NZME	—	(13,223)
Proceeds from sale of property, plant & equipment	—	805
Net proceeds from sale of businesses	(878)	1,967
Dividend received from associates	—	1,329
Net loans repaid by/(advanced to) other entities	2,197	2,076
Net cash outflows from investing activities	(6,756)	(18,040)
Cash flows from financing activities		
Proceeds from borrowings	47,500	64,592
Repayments of borrowings	(42,353)	(353,453)
Net proceeds from share issue	—	176,698
Payments for treasury shares	(1,779)	—
Dividends paid to shareholders	(10,403)	—
Debt transferred to NZME	—	106,879
Net payments to non-controlling interests	(2,640)	(2,814)
Net cash outflows from financing activities	(9,675)	(8,098)
Change in cash and cash equivalents	(7,403)	(11,582)
Cash and cash equivalents at the beginning of the period	20,223	21,721
Effects of exchange rate changes	(393)	—
Cash and cash equivalents at the end of the period	12,427	10,139

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.

Consolidated Statement of Changes in Equity
for the period ended 30 June 2017

	Note	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 January 2016		1,222,780	(137,102)	(659,333)	426,345	35,180	461,525
Change in accounting policy	2.1	—	—	(73,997)	(73,997)	—	(73,997)
Restated total equity at the beginning of the period		1,222,780	(137,102)	(733,330)	352,348	35,180	387,528
Profit/(loss) for the period		—	—	(256,913)	(256,913)	3,289	(253,624)
Other comprehensive income		—	64,803	—	64,803	—	64,803
Share based payments expense		—	1,050	—	1,050	—	1,050
Contributions of equity		178,228	—	—	178,228	—	178,228
Transfers within equity		—	21,686	(21,686)	—	—	—
Demerger of NZME	3.3	(141,130)	—	—	(141,130)	—	(141,130)
Transactions with non-controlling interests		—	—	—	—	(2,814)	(2,814)
Balance at 30 June 2016		1,259,878	(49,563)	(1,011,929)	198,386	35,655	234,041
Balance at 1 January 2017		1,528,022	(45,347)	(682,088)	800,587	35,878	836,465
Change in accounting policy	2.1	—	—	(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
Share based payments expense		—	1,013	—	1,013	—	1,013
Contributions of equity	3.3	1,897	—	—	1,897	—	1,897
Dividends paid		—	—	(12,300)	(12,300)	—	(12,300)
Acquisition of treasury shares	3.3	—	(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

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

Notes to the Consolidated Financial Statements
1. GROUP PERFORMANCE

1.1 REVENUE AND OTHER INCOME

	Note	June 2017 $'000	June 2016 $'000
From continuing operations			
Advertising revenue		201,342	125,584
Services revenue		13,884	3,455
Other revenue		10,429	107
Revenue from continuing operations		225,655	129,146
Gain on financial assets held at fair value through profit and loss		2,188	2,071
Gain on disposal of business		—	419
Other		167	271
Other income		2,355	2,761
Interest income		109	215
Total other revenue and income		2,464	2,976
Total revenue and other income		228,119	132,122
From discontinuing operations			
Total revenue and other income	6.1	—	271,977

Notes to the Consolidated Financial Statements
1. GROUP PERFORMANCE (continued)

1.2 SEGMENT INFORMATION
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 four reportable segments as follows:

Reportable segment	Principal Activities
Australian Radio Network	Metropolitan radio networks (Australia)
Adshel	Street furniture, transit and other outdoor advertising (Australia and New Zealand)
HK Outdoor	Billboard, transit and other outdoor advertising (Hong Kong)
Digital investments	Includes controlling interests in Conversant Media and Emotive and an equity accounted investment Soprano

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

In 2017, a new operating segment was created for all other investments and new ventures of the Group, reflecting a change to internal reporting provided to the Board of Directors and senior management team. Businesses in this segment include; Conversant Media, Emotive and Soprano. Emotive was reclassified out of the Australian Radio Network segment while Conversant Media and Soprano were reclassified out of the Unallocated Segment. Comparatives have been restated to reflect this change.

Results by operating segment
The segment information provided to the Directors and senior management team for the period ended 30 June 2017 and 30 June 2016 is as follows:

2017 $'000	Australian Radio Network	Adshel	HK Outdoor	Digital investments	Corporate [i]	Group elimination	Total
Revenue from external customers	105,307	104,960	11,931	5,795	—	(2,338)	225,655
Segment result	33,208	22,237	(1,205)	1,205	(9,405)	—	46,040
Reconciliation of segment result to profit before income tax from continuing operations							
Segment result							46,040
Depreciation and amortisation [a]							(18,901)
Net finance costs							(4,570)
Other costs [b]							4,630
Profit before tax from continuing operations							27,199

[i] Amounts refer to unallocated revenue and costs.

Explanation of statutory adjustments

a Consists of depreciation of $9.8 million and amortisation of $9.1 million.

b One off benefit from the retrospective application of Australian Communications and Media Authority (ACMA) licence fee relief for the prior period recently announced by the Australian Government.

Notes to the Consolidated Financial Statements
1. GROUP PERFORMANCE (continued)

1.2 SEGMENT INFORMATION (CONTINUED)

2016 $'000	Australian Radio Network	Adshel[(i)]	HK Outdoor	Digital investments	Corporate	Group elimination	Total
Revenue from external customers	112,168	—	14,363	3,318	—	(703)	129,146
Segment result	39,848	3,769	(454)	1,815	(9,065)	—	35,913

Reconciliation of segment result to profit before income tax from continuing operations	
Segment result	35,913
Depreciation and amortisation [a]	(2,369)
Net finance costs [b]	(12,100)
Onerous contract and other costs [c]	(2,732)
Gain on disposal of businesses [d]	419
Profit before tax from continuing operations	19,131

[(i)] On 25 October 2016, the Company moved to full ownership of Adshel with the Group incorporating assets, liabilities and results from this date. Prior to 25 October 2016, Adshel was accounted for as an associate using the equity method.

Explanation of statutory adjustments

a Consists of depreciation of $1.9 million and amortisation of $0.4 million.

b Net finance costs for the Company totalled $12.1 million for the period ended 30 June 2016 under the HT&E multi-currency syndicated debt facility. These costs include net finance charges of $4.2 million for the period prior to the demerger of NZME, relating to borrowings of NZME Limited, denominated in New Zealand dollars. Remaining finance costs of $7.9 million included interest charges on Australian dollar and Hong Kong dollar denominated borrowings, unamortised borrowing costs and commitment fees on the total facility.

c The onerous contract and other costs relate predominantly to an additional provision recognised for the onerous elements of the Buzplay bus advertising contract in Hong Kong.

d Relates to the disposal of the Company's 25% interest in Redcoal Pty Ltd to Soprano.

Notes to the Consolidated Financial Statements
1. GROUP PERFORMANCE (continued)

1.3 EARNINGS PER SHARE

	June 2017 $'000	June 2016 $'000
(a) Reconciliation of earnings used in calculating earnings per share (EPS)		
Profit/(loss) from continuing operations attributable to owners of the parent entity	15,814	(7,632)
Loss from discontinuing operations attributable to owners of the parent entity	—	(249,281)
Profit/(loss) attributable to owners of the parent entity used in calculating basic EPS	15,814	(256,913)

	Number	Number
(b) Weighted average number of shares		
Weighted average number of ordinary shares (i)	307,751,965	167,001,758
Weighted average number of Treasury shares (ii)	(180,282)	—
Adjusted for calculation of diluted EPS	470,527	518,842
Weighted average number of shares in the denominator in calculating diluted EPS	308,042,210	167,520,600

(i) The Company undertook a consolidation of share capital through the conversion of every 7 Company shares into 1 Company share on 21 June 2016. Prior to consolidation of share capital, the number of ordinary shares outstanding was 1,372,057,507. The number of shares have been adjusted for the share consolidation and the bonus elements of the 2016 rights issues and placement.

(ii) The HT&E Employee Share Trust purchased shares in the Company during the period totalling 741,418. Refer to note 3.3 for further details.

Notes to the consolidated financial statements
2. OPERATING ASSETS AND LIABILITIES

2.1 INTANGIBLE ASSETS

	June 2017 $'000	Dec 2016 [i] $'000
Goodwill	442,455	440,888
Software and other intangibles – net of accumulated amortisation	1,634	258
Radio licenses – net of accumulated amortisation	372,448	374,006
Licences and relationships – net of accumulated amortisation	125,892	132,236
Brands – net of accumulated amortisation	5,535	6,712
	947,964	954,100

[i] Intangible assets purchased as part of the Adshel and Conversant acquisitions were provisional as at 31 December 2016. During the period, the purchase price accounting was progressed with the December 2016 comparatives revised accordingly. Refer to note 5.1 for further details.

The following is a reconciliation of the carrying amount of reported goodwill at the beginning of the reporting period to the revised amounts reported:

	1 Jan 2017 $'000
Cost	24,610
Accumulated impairment	—
Net book value at 1 January 2017	24,610
Net book value at the beginning of the period	24,610
Recognition of intangibles on business combination [ii]	396,090
Change in accounting policy [iii]	20,188
Revised net book value at 1 January 2017	440,888
Cost	440,888
Accumulated impairment	—
Revised net book value at 1 January 2017	440,888

[ii] Provisional intangibles balance recognised in the prior period was $481,009,000. This amount less adjustments related to the purchase price accounting was allocated to goodwill during the period. Refer to note 5.1 for further details

[iii] This reflects the impact of the change in accounting policy related the recent IFRS Interpretation Committee (IFRIC) agenda decision. Refer to 'About the Interim Financial Statements' for further details.

Notes to the consolidated financial statements
3. CAPITAL MANAGEMENT

3.1 INTEREST BEARING LIABILITIES

	June 2017 $'000	Dec 2016 $'000
Non-current interest bearing liabilities		
Bank loans – secured [(i)]	167,757	162,890
	167,757	162,890
Deduct:		
Borrowing costs	7,401	7,401
Accumulated amortisation	(6,347)	(5,820)
Net borrowing costs	1,054	1,581
Total non-current interest bearing liabilities	166,703	161,309

Net debt		
Non-current interest bearing liabilities	166,703	161,309
Net borrowing costs	1,054	1,581
Cash and cash equivalents	(12,427)	(20,223)
Net debt	155,330	142,667

[(i)] The debt facility matures on 1 July 2019.

Notes to the consolidated financial statements
3. CAPITAL MANAGEMENT (continued)

3.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value hierarchy

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 tables present the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2017 and 31 December 2016:

30 June 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	—	—	31,371	31,371
Total financial assets	—	—	31,371	31,371
Non-financial assets				
Freehold land and buildings				
Freehold land	—	—	1,085	1,085
Buildings	—	—	643	643
Total non-financial assets	—	—	1,728	1,728
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative liabilities	—	972	—	972
Total financial liabilities	—	972	—	972

31 December 2016	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	—	—	31,527	31,527
Total financial assets	—	—	31,527	31,527
Non-financial assets				
Freehold land and buildings				
Freehold land	—	—	1,083	1,083
Buildings	—	—	663	663
Total non-financial assets	—	—	1,746	1,746
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative liabilities	—	780	—	780
Total financial liabilities	—	780	—	780

Notes to the consolidated financial statements
3. CAPITAL MANAGEMENT (continued)

3.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (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 2017 (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 2017, the borrowing rates were determined to be between 2.2% and 4.0% 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.

A gain of $2.2 million was recorded in other income for shares in other corporations for the period ended 30 June 2017. There were no other material level 3 fair value movements during the period.

Notes to the consolidated financial statements
3. CAPITAL MANAGEMENT (continued)

3.3 CONTRIBUTED EQUITY

	June 2017 $'000	Dec 2016 $'000
Issued and paid up share capital	1,529,919	1,528,022

(a) Movements in contributed equity during the period:

	June 2017 No. of shares	Dec 2016 No. of shares	June 2017 $'000	Dec 2016 $'000
Balance at beginning of the period	307,494,273	1,029,041,356	1,528,022	1,222,780
Issue of ordinary shares – Renounceable Pro-Rata Entitlement Offer (i)	—	343,016,151	—	181,799
Share issue costs (ii)	—	—	—	(3,947)
Balance, prior to share consolidation	307,494,273	1,372,057,507	—	1,400,632
Share consolidation (iii)	—	(1,176,046,225)	—	—
Capital reduction (iv)	—	—	—	(141,130)
Issues of ordinary shares – Renounceable Pro-Rata Entitlement Offer (v)	—	111,482,991	—	273,133
Share issue costs (ii)	—	—	—	(4,613)
Dividend reinvestment plan	706,702	—	1,897	—
Balance at end of the period (vi)	308,200,975	307,494,273	1,529,919	1,528,022

(i) During the comparative period, the Company issued 343,016,151 shares via a fully underwritten accelerated Renounceable Pro-Rata Entitlement Offer to all shareholders. Net proceeds from this Offer, after issuance costs (gross of related income tax benefit) were $176.7 million which were used to pay down debt and establish the new capital structures of the Company and NZME.

(ii) Share issue costs are stated net of related income tax benefit.

(iii) The Company undertook a consolidation of share capital through the conversion of every 7 HT&E shares into 1 HT&E share on 21 June 2016.

(iv) Reduction in capital on demerger of NZME, refer to note 6.1 for further details.

(v) In October 2016, the Company issued 111,482,991 shares via a fully underwritten institutional placement and accelerated Renounceable Pro-Rata Entitlement Offer to all shareholders. Net proceeds from this Offer, after issuance costs (gross of related income tax benefit) were $266.5 million which were used to fund the acquisition of the remaining 50% interest in the Adshel joint venture.

(vi) The HT&E Employee Share Trust (Trust), a controlled entity, was established during the period. The Trust purchased shares in the Company during the period with the shareholding in the Company as at 30 June 2017 totalling 741,418 at an average price of $2.40. This shareholding is disclosed as Treasury shares and deducted from equity.

Notes to the consolidated financial statements
3. CAPITAL MANAGEMENT (continued)

3.4 DIVIDENDS

	June 2017 $'000	June 2016 $'000
Final dividend for the year ended 31 December 2016 of 4.0 cents per share, fully franked, paid on 26 April 2017 (2015: Nil)	12,300	—
Dividend not recognised at the end of the half-year		
Since the end of the half-year, the Directors have declared the payment of an interim dividend of 3.0 cents (2016: Nil) per share fully franked (2016: Nil). The aggregate amount of the proposed dividend expected to be paid on 29 September 2017 out of retained profits at 30 June 2017, but not recognised as a liability at the end of the half-year, is:	9,246	—

Dividend reinvestment plan
Shareholders may participate in the Company's dividend reinvestment plan (DRP) for the interim dividend for the half-year ended 30 June 2017. The Directors have determined there is no current DRP discount rate. The last date for the receipt of an election notice for participation in the DRP for the final dividend is 5 September 2017.

Notes to the financial statements cont'd
4. TAXATION

4. INCOME 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 2017 is 31%, compared to 27% for the six months to 30 June 2016.

New Zealand Branch matter

As previously disclosed, the Australian Tax Office (ATO) is auditing the licensing of New Zealand mastheads by a New Zealand Branch of an Australian Group entity. The New Zealand Branch was closed as part of the demerger of NZME that occurred on 29 June 2016.

On 15 September 2016, the ATO issued an Audit Position Paper setting out its initial views on the matter. The ATO has indicated that it would challenge the Group's treatment of the royalty income received by the New Zealand Branch in respect of the mastheads as being non-assessable non-exempt income for Australian tax purposes. The Position Paper provides a number of alternative grounds on which the ATO bases its position.

The ATO is continuing with its audit enquiries. If the ATO ultimately decides to issue amended assessments. HT&E would then have the ability to lodge an objection with the ATO and contest the amended assessments through litigation proceedings. While the objection and litigation process is completed, HT&E may be required to pay a deposit with the ATO. In such circumstances the ATO has typically accepted a deposit of 50% of the tax in dispute.

For the financial years ended 31 December 2009 to 31 December 2016 inclusive, the amount of tax in dispute is up to approximately $102.5 million. Interest would also apply on any tax assessed. The ATO may also seek to impose penalties in respect of the taxes in dispute.

The Group is satisfied that its treatment of this matter is consistent with relevant taxation legislation. If however the ATO is ultimately successful, the requirement to pay the relevant tax, interest and penalties may have a material adverse effect on the operating and financial performance of the Group.

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.

Business combinations

During the period, the purchase price accounting for Adshel and Conversant Media was further progressed leading to a recognition of deferred tax liabilities of $50,946,000. Refer to note 5.1 for further details.

Change of accounting policy

The Group has retrospectively applied a change in accounting policy related to the tax effect accounting of its radio licences. This has resulted in the recognition of non-cash deferred tax liabilities of $94,185,000 on its radio licences assuming recovery through use. These deferred tax liabilities pertain to non-amortising radio licences, of which no tax deductions can be claimed while they are being held.

Notes to the financial statements cont'd
5. GROUP STRUCTURE

5.1 BUSINESS COMBINATIONS

The Group gained control over Adshel and Conversant Media in October 2016:

Entity or business acquired	Principal activity	Date of acquisition	Ownership interest
Adshel [(i)]	Street furniture, transit and other outdoor advertising	25 Oct 16	100%
Conversant Media [(ii)]	Online publishing	31 Oct 16	100%

[(i)] Adshel Street Furniture Pty Limited, Adshel New Zealand Limited and Australian Outdoor Pty Limited.
[(ii)] Conversant Media Pty Ltd and The Roar Sports Media Pty Ltd.

The Group has one year from the acquisition dates to obtain the information necessary to identify and measure all the various components of the business combination as at acquisition date and as such the acquisition accounting as at 31 December 2016 was provisional. During the half, the purchase price accounting was further progressed leading to the recognition of licences and relationships of $132,236,000, brands of $6,693,000, and deferred tax liabilities of $50,946,000. Further, a reduction was recognised on deferred contract costs of $2,946,000 and other debtors of $117,000. The provisional amount of goodwill was reduced accordingly. Comparative amounts as at 31 December 2016 have been revised.

5.2 INTERESTS IN OTHER ENTITIES

Material subsidiaries with non-controlling interests

Set out below is the Group's principal subsidiary with a material non-controlling interest. Unless otherwise stated, the subsidiary below has 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.

			Ownership interest held by the Group		Ownership interest held by non-controlling interests		
Name of entity	Place of business	Country of incorporation	June 2017	Dec 2016	June 2017	Dec 2016	Principal activities
Brisbane FM Radio Pty Ltd	Australia	Australia	50%	50%	50%	50%	Commercial radio

Notes to the financial statements cont'd
5. GROUP STRUCTURE

5.3 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Interests in associates

Set out below is the associate within the Group as at 30 June 2017. The entity listed below has 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	% of ownership interest June 2017	% of ownership interest Dec 2016	Nature of Relationship	Measurement Method	Consolidated carrying values June 2017 $'000	Consolidated carrying values Dec 2016 $'000
Soprano Design Pty Limited (i)	Australia	25%	25%	Associate(i)	Equity method	12,838	12,257

(i) Soprano Design Pty Limited specialises in the development and provision of world leading mobile messaging and wireless application infrastructure. The interest in this business was acquired in 2000.

	June 2017 $'000	June 2016 $'000
Share of associates NPAT		
Adshel Street Furniture Pty Limited (ii)	-	3,769
Soprano Design Pty Limited	581	1,474
	581	5,243

(ii) On 25 October 2016, the Company moved to full ownership of Adshel Street Furniture Pty Limited, through acquisition of the remaining interest in the Adshel joint venture via the acquisition of Australian Outdoor Pty Limited. Refer to note 5.1 for details.

Notes to the financial statements cont'd
6. OTHER

6.1 DISCONTINUED OPERATIONS

Divestment of ARM

On 21 June 2016, the Group announced that it had entered into binding documentation to divest Australian Regional Media (ARM) to a subsidiary of News Corp. The Group completed the sale on 28 December 2016. The total value of the transaction was $36.6 million.

The demerger of NZME

On 29 June 2016, the Group announced that it had completed the demerger of NZME ("the demerger") to create an independent entertainment and media company, NZME Limited.

The demerger took place by way of a capital reduction, with an in specie distribution of shares in NZME as consideration. Instead of receiving cash from the capital reduction, HT&E Shareholders received a distribution of shares in NZME, which is referred to as an in specie distribution.

The internal restructure was accounted for as a common control transaction, with the effect being that the historical values in the books of HT&E remain unchanged. Differences between the consideration provided or received as part of the internal restructure have been reflected as adjustments to the prior period retained earnings.

Balances in the foreign currency translation reserve in respect of HT&E's net investment in New Zealand were recycled through the income statement. Balances in the common control reserve, non-controlling interest and asset revaluation reserves relating to the demerged entity were transferred to retained earnings.

Discontinued operations

The results of ARM and NZME (prior to the demerger) are reported as discontinued operations.

Notes to the financial statements cont'd
6. OTHER (continued)

6.1 DISCONTINUED OPERATIONS (CONTINUED)

(a) Financial performance and cash flow information

Australian Regional Media

	June 2016 $'000
Revenue and other income	89,039
Expenses before depreciation and amortisation	(84,300)
Depreciation and amortisation	(3,701)
Profit before income tax	1,038
Income tax expense	(311)
Profit from operations	727
Write down of assets to fair value less costs to sell [a]	(15,540)
Redundancies and associated costs [b]	(2,467)
Onerous contract costs	(347)
Income tax expense [c]	(5,827)
Loss after income tax from discontinued operations	(23,454)

Explanation of items related to discontinued operations

a Write down of non-current assets to fair value less costs to sell on classification as held for sale.

b Redundancies and associated costs relate to on-going restructuring activities.

c Includes the write off of deferred tax assets associated with the disposal of ARM, offset by the tax impact related to the write down of non-current assets to fair value less costs to sell, redundancies and associated costs.

Australian Regional Media

	June 2016 $'000
Net cash inflows from operating activities	8,457
Net cash outflows from investing activities	(2,013)
Net cash outflows from financing activities	(71)
Net increase in cash generated by the division	6,373

Notes to the financial statements cont'd
6. OTHER (continued)

6.1 DISCONTINUED OPERATIONS (CONTINUED)

NZME

	June 2016 $'000
Revenue and other income	182,938
Expenses	(153,880)
Depreciation and amortisation	(11,298)
Profit before income tax	17,760
Income tax (expense)/credit	(436)
Profit from operations	17,324
Loss on demerger of NZME [a]	(125,690)
Reclassification of foreign currency translation reserves to the income statement [b]	(47,251)
Transactions costs [c]	(8,236)
Net finance costs [d]	(3,021)
Redundancies and associated costs [e]	(2,811)
Costs in relation to one off projects [f]	(534)
Net gain on disposal of properties and business [g]	1,254
Foreign currency loss [h]	(2,510)
Income tax expense [i]	(54,328)
Loss after income tax from discontinued operations	(225,803)

Explanation of items related to discontinued operations

a The loss on demerger of NZME represents the deficit of net assets transferred on demerger compared to the fair value of NZME shares, calculated by reference to the volume weighted average price on the Australian Securities Exchange and New Zealand Exchange over the first 5 days of trading.

b Foreign currency loss relates predominately to the historical foreign currency translation reserve in respect of HT&E's net investment in New Zealand, recycled to the income statement on demerger, offset by the reversal of certain foreign exchange deferred tax balances written back on demerger.

c Transaction costs primarily relate to the cost of external consultants, debt facility establishment fees and other fees associated with the demerger.

d Net finance costs relate to the write-off of a portion of unamortised borrowing costs as a result of the demerger and associated reduction in available debt facilities.

e Redundancies and associated costs primarily relate to on-going restructuring activities of the publishing business and integration of the New Zealand operations.

f Costs in relation to one off projects refers primarily to the costs of external consultants assisting with the ongoing integration and co-location initiatives in New Zealand.

g Gain on disposal of properties and businesses relates to the sale of a property in Nelson and the Wairarapa Times business.

h Relates predominately to the settlement of various cross-border intercompany loans prior to demerger.

i Included in tax expense is NZME's share of the settlement with the Inland Revenue Department, the utilisation of historical tax losses incorporated as part of the settlement, and tax on intergroup charges before the demerger.

Notes to the financial statements cont'd
6. OTHER (continued)

6.1 DISCONTINUED OPERATIONS (CONTINUED)

NZME

	June 2016 $'000
Net cash inflows from operating activities	9,232
Net cash outflows from investing activities	(3,212)
Net cash outflows from financing activities [a]	(171,213)
Net decrease in cash generated by the division	(165,193)

a Relates to the repayment of borrowings of Wilson & Horton Limited denominated in New Zealand dollars under the Group multi-currency syndicated debt facility during the prior period.

(d) Loss on demerger

NZME

	June 2016 $'000
Fair value of NZME	141,130
Less: NZME net assets demerged	(266,820)
Loss on demerger	(125,690)

6.2 CONTINGENT LIABILITIES

Guarantees

The parent entity and all wholly-owned controlled entities have provided guarantees in respect of banking facilities. As at 30 June 2017, the banking facilities had been drawn to the extent of $173,688,000 (December 2016: $169,060,000), of which $5,931,000 (December 2016: $6,168,000) pertain to bank guarantees.

Certain wholly-owned subsidiaries of the Company have provided financial guarantees of $19,743,385 (December 2016: $18,601,000) in respect of performance commitments for site rental contracts and property leases. The guarantees were utilised under a banking facility separate to the Group revolving cash advance banking facility.

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 financial statements cont'd
6. OTHER (continued)

6.3 OTHER SIGNIFICANT ACCOUNTING POLICIES

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 2017 reporting period. The Company's assessment of the impact of these new standards and interpretations is set out below.

The IASB has issued IFRS 15 *Revenue from Contracts with Customers*, a new standard for the recognition of revenue, replacing IAS 18 Revenue which covers contracts for goods and services. It applies to annual reporting periods commencing on or after 1 January 2018. The AASB has issued an equivalent standard. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. Multiple performance obligations in a customer contract are required to be identified and a transaction price to be allocated to each performance obligation. The Group is still assessing the potential impact of the new standard however it is not expected to have a material impact on the Group's financial statements.

The IASB 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*. The new standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. While the Group has yet to fully assess the impact of the new standard on the financial statements when applied to future periods, it is expected that it will materially affect the record of assets and liabilities for Adshel and HK Outdoor as they have significant operating lease commitments. Under AASB 16, the present value of these commitments would be shown as a liability on the balance sheet together with an asset representing the right-of-use. The ongoing income statement classification of what is currently predominately rental and occupancy expense will be split between depreciation and interest expense.

AASB 9 *Financial Instruments*, the AASB equivalent of IFRS 9 *Financial Instruments*, establishes the principles for the financial reporting of financial assets and financial liabilities. It is effective for annual reporting periods beginning on or after 1 January 2018 and was early adopted by the Group, with 31 December 2009 as its date of initial application.

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.

Notes to the financial statements cont'd
6. OTHER (continued)

6.4 SUBSEQUENT EVENTS

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 29 September 2017 (refer to note 3.4).

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

Directors' declaration

In the Directors' opinion:

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

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

   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date, and

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.

Peter Cosgrove
Chairman

Sydney
24 August 2017

Independent auditor's review report to the shareholders 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 2017, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for HT&E Limited (the consolidated entity). The consolidated entity 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 consolidated entity's financial position as at 30 June 2017 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:

1. giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 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*.

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

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 2017 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

MK Graham
Partner

Sydney
24 August 2017