

HALF-YEAR FINANCIAL REPORT 31 DECEMBER 2012

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This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by Macquarie Radio Network Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the Australian Securities Exchange.

Your Directors present their half-year condensed financial report of the consolidated entity consisting of Macquarie Radio Network Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2012 ("the Group").

DIRECTORS

The following persons were Directors of Macquarie Radio Network Limited during the whole of the half-year and up to the date of this report:

Russell Tate
Robert Loewenthal
Maureen Plavsic
Max Donnelly
Jack Singleton
Kate Thompson

REVIEW OF OPERATIONS

For the half-year ended 31 December 2012, Macquarie Radio Network Ltd (MRN) reported a profit after tax of \$4.539m (2011: \$2.265m).

The Group's revenue has decreased by 10% from \$33.004m to \$29.737m.

The Group's expenditure has decreased by 15% from \$29.360m to \$25.081m.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 2.

ROUNDING OF AMOUNTS TO THE NEAREST THOUSAND DOLLARS

The Company is an entity to which Class Order 98/100 issued by the Australian Securities and Investments Commission applies and, accordingly, amounts in the Half-Year Financial Report and the Directors' Report have been rounded off to the nearest thousand dollars in accordance with this class order.

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



Russell Tate
Chairman

Dated this 18th day of February 2013

The Board of Directors
Macquarie Radio Network Limited
Level 1, Building C
33-35 Saunders Street
PYRMONT NSW 2009

18 February 2013

Dear Board Members

Macquarie Radio Network Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Macquarie Radio Network Limited.

As lead audit partner for the review of the financial statements of Macquarie Radio Network Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Tara Hill
Partner
Chartered Accountants

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the half-year ended 31 December 2012

Macquarie Radio Network Limited

	Half-year ended	
	2012	2011
	\$'000	\$'000
Revenue	29,737	33,004
Other Income	1,752	113
Employee benefits	(14,804)	(13,944)
Employee options expense	(6)	(617)
Depreciation and amortisation	(419)	(707)
Legal, professional and consulting	(733)	(1,681)
Rent	(801)	(812)
Royalties, licences and commissions	(2,429)	(2,418)
Programming content	(1,740)	(703)
Utilities and telephone	(641)	(603)
Share of net loss of jointly controlled entity	-	(282)
Jointly controlled entity costs	-	(4,785)
Insurances	(268)	(225)
Marketing and promotion	(136)	(122)
Other	(2,468)	(1,862)
Finance costs	(636)	(599)
Profit before tax	6,408	3,757
Income tax expense	(1,869)	(1,492)
Profit for the period	4,539	2,265
Other comprehensive income		
Loss on available-for-sale investments taken to equity	(6)	(9)
Total comprehensive income for the period	4,533	2,256
Basic earnings per share (EPS) (cents per share)	5.98	2.95
Diluted earnings per share (EPS) (cents per share)	5.73	2.80

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

Macquarie Radio Network Limited

		31 Dec 2012 \$'000	30 June 2012 \$'000
	Note		
CURRENT ASSETS			
Cash and cash equivalents		2,772	2,034
Trade and other receivables		9,731	12,780
Current tax asset receivable		3,375	2,383
Other assets		63	63
TOTAL CURRENT ASSETS		15,941	17,260
NON-CURRENT ASSETS			
Other receivables		849	910
Available for sale financial assets		43	49
Other financial assets		851	-
Property, plant and equipment		5,224	5,288
Deferred tax assets		1,604	1,812
Radio licences		20,095	20,096
Other assets		433	465
Intangible assets		11	16
TOTAL NON-CURRENT ASSETS		29,110	28,636
TOTAL ASSETS		45,051	45,896
CURRENT LIABILITIES			
Trade and other payables		4,263	6,249
Borrowings		-	18,900
Other financial liabilities		1,521	-
Provisions		2,281	2,248
TOTAL CURRENT LIABILITIES		8,065	27,397
NON-CURRENT LIABILITIES			
Borrowings		16,850	-
Other financial liabilities		-	1,667
Provisions		264	314
TOTAL NON-CURRENT LIABILITIES		17,114	1,981
TOTAL LIABILITIES		25,179	29,378
NET ASSETS		19,872	16,518
EQUITY			
Issued capital		4,827	4,827
Reserves	3	(5,846)	(5,846)
Retained earnings	4	20,891	17,537
TOTAL EQUITY		19,872	16,518

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half-year ended 31 December 2012

Macquarie Radio Network Limited

	Fully Paid Ordinary Share Capital	Options Reserve	Share buy- back Reserve	Available-for- sale Revaluation Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2011	4,827	(1,062)	(6,010)	6	18,765	16,526
Profit for the year	-	-	-	-	2,265	2,265
Other comprehensive expense for the year	-	-	-	(9)	-	(9)
Total comprehensive income for the year	-	-	-	(9)	2,265	2,256
Recognition of share-based payments	-	617	-	-	-	617
Payment of dividends (note 2)	-	-	-	-	(1,554)	(1,554)
Balance at 31 December 2011	4,827	(445)	(6,010)	(3)	19,476	17,845
Balance at 1 July 2012	4,827	171	(6,010)	(7)	17,537	16,518
Profit for the year	-	-	-	-	4,539	4,539
Other comprehensive expense for the year	-	-	-	(6)	-	(6)
Total comprehensive income for the year	-	-	-	(6)	4,539	4,533
Recognition of share-based payments	-	6	-	-	-	6
Payment of dividends (note 2)	-	-	-	-	(1,185)	(1,185)
Balance at 31 December 2012	4,827	177	(6,010)	(13)	20,891	19,872

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the half-year ended 31 December 2012

Macquarie Radio Network Limited

	Note	Half-year ended	
		2012	2011
		\$'000	\$'000
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of goods and services tax)		35,999	35,085
Payments to suppliers & employees (inclusive of goods and services tax)		(28,976)	(27,321)
Interest and royalties received		1,324	98
Interest paid		(583)	(599)
Income taxes paid		(2,653)	(4,799)
Net cash provided by operating activities		<u>5,111</u>	<u>2,464</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(349)	(215)
Payment for acquisition of subsidiary		-	(5,788)
Payment for other financial assets		(851)	-
Amounts advanced to jointly controlled entity		-	(2,656)
Repayment of loans from employee		62	62
Net cash used in investing activities		<u>(1,138)</u>	<u>(8,597)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		750	8,200
Repayment of borrowings		(2,800)	-
Dividends paid		(1,185)	(1,554)
Net cash (used in) / provided by financing activities		<u>(3,235)</u>	<u>6,646</u>
Net increase in cash held		738	513
Cash at beginning of the half-year		<u>2,034</u>	<u>1,370</u>
Cash at the end of the half-year		<u>2,772</u>	<u>1,883</u>

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 – Significant accounting policies

Statement of compliance

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”. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 “Interim Financial Reporting”. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual report.

(a) Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the director’s report and half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company’s 2012 annual financial report for the financial year ended 30 June 2012 in addition to the following:

(i) Royalty revenue recognition

Royalty revenue is recognised when the right to receive a royalty has been established.

The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period. There are no new and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group.

(b) Reclassification of comparative information

Classification of certain items in the prior year has changed to reflect the substance of underlying transactions with the previously jointly controlled entity, Melbourne Radio Operations Pty Ltd. This includes a reclassification of comparative amounts in line with the MRO Owners and Contributions Deed which allows a recharge to MRO of various services and programming costs incurred by MRN. This includes a recharge through profit or loss in the Statement of Comprehensive Income and a reallocation of the investment into receivables, payables and the net investment. There was no profit or loss impact of these restatements.

31 Dec	31 Dec
2012	2011
\$'000	\$'000

2 - Dividends

Ordinary Shares

Dividends provided for or paid during the half-year:

Final ordinary unfranked dividend relating to the year ended 30 June 2012 of 1.5 cents (2011: 2 cents) per fully paid share

<u>1,185</u>	<u>1,554</u>
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	31 Dec 2012 \$'000	31 Dec 2011 \$'000
3 – Reserves		
Options reserve		
Balance at the beginning of the period	171	(1,062)
Recognition of share based payments	6	617
Balance at the end of the financial period	<u>177</u>	<u>(445)</u>
Share buy-back reserve		
Balance at the beginning of the period	(6,010)	(6,010)
Movement for the period	-	-
Balance at the end of the financial period	<u>(6,010)</u>	<u>(6,010)</u>
Available-for-sale revaluation reserve		
Balance at the beginning of the period	(7)	6
Movement for the period	(6)	(9)
Balance at the end of the financial period	<u>(13)</u>	<u>(3)</u>
Total Reserves	<u>(5,846)</u>	<u>(6,458)</u>

4 – Retained Earnings

Movement for the Period

Balance at the beginning of the period	17,537	18,765
Net profit for the period	4,539	2,265
Dividends paid	(1,185)	(1,554)
Balance at the end of the period	<u>20,891</u>	<u>19,476</u>

5 – Secured Liabilities

A Cross Deed of Covenant exists between Macquarie Radio Network Limited, Macquarie Regional Radio Pty Limited, Harbour Radio Pty Limited and Radio 2CH Pty Limited in respect of banking facilities amounting to \$16,850,000 (30 June 2012: \$18,900,000). The Covenant is supported by a first registered fixed and floating charge over all the assets and undertaking of each entity. On 18 July 2012, the Group finalised the agreement for new banking facilities. These facilities total \$25 million and are in place until 2 July 2015.

The carrying amount of assets pledged as security is as follows:

	31 Dec 2012 \$'000	30 June 2012 \$'000
- total current assets	15,941	17,260
- total non-current assets	29,110	28,636
- total assets	<u>45,051</u>	<u>45,896</u>

7 – Segment Information

The consolidated entity operates in a single business segment being radio and associated media activities in a sole geographical location being Australia.

8 – Treasury Shares

The company loaned \$1,500,000 to the Executive Chairman, Mr Russell Tate, to subscribe for 3,000,000 fully paid shares in the capital of the company on interest free, unsecured and limited recourse terms. These shares were issued to Mr Tate on 7 December 2010, in accordance with a resolution of the shareholders at the Annual General Meeting held on 18 November 2010. The shares were subject to escrow arrangements that permitted the shares to be released from escrow on 30 June 2012. Proceeds from any sale of the shares after this date were to be applied to repay the loan made by the company. The employment agreement provided for the company to buy back and cancel some or all of the shares in circumstances where the agreement is terminated or expires without the principal amount having been repaid in full. There was a 90 day period from 30 June 2012 to exercise the options. On 22 November 2012 the Company bought back 2,542,372 Treasury shares from Mr Russell Tate for a total purchase price of \$1,500,000. The purchase price will be paid by the Company by way of set off against the outstanding balance of the loan under the Loan Deed, with the effect that Mr Tate's loan will then be fully repaid. Full details of the buy-back are included in the ASX announcement made on 23 November 2012.

9 - Exercise of options held by Hadiac Pty Limited

On 19 December 2008, 4,000,000 options (each to subscribe for one fully paid ordinary share in the Company) were issued to Hadiac Pty Ltd. The options are divided into 3 tranches, being Tranche 1 of 1,333,334 options, Tranche 2 of 1,333,334 options and Tranche 3 of 1,333,332 options. On 3 September 2012 Hadiac Pty Limited exercised its option for 1,333,334 shares in accordance with tranche 1 of the agreement. On 22 November 2012 Hadiac Pty Limited exercised its option for 1,333,334 shares in accordance with tranche 2 of the agreement. These options were issued for nil consideration. Full details of the exercise are included in the ASX announcements made on 7 September 2012 and 23 November 2012 respectively.

10 – Subsequent Events

No matters or circumstances have arisen since the end of the reporting period which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

The directors of Macquarie Radio Network Limited declare that:

- (a) In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they became due and payable; and
- (b) In the Directors opinion, the attached condensed consolidated financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



Russell Tate
Chairman

Sydney, 18 February 2013.

Independent Auditor's Review Report to the Members of Macquarie Radio Network Limited

We have reviewed the accompanying half-year financial report of Macquarie Radio Network Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2012, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 3 to 10.

Directors' Responsibility for the Half-Year Financial Report

The directors of the consolidated entity 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 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 31 December 2012 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 Macquarie Radio Network 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.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Macquarie Radio Network Limited would be in the same terms if given to the directors as at the time of this auditor's review report.

Deloitte.

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 Macquarie Radio Network Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Tara Hill
Partner
Chartered Accountants
Sydney, 18 February 2013