KEEPING KIWIS IN THE KNOW.

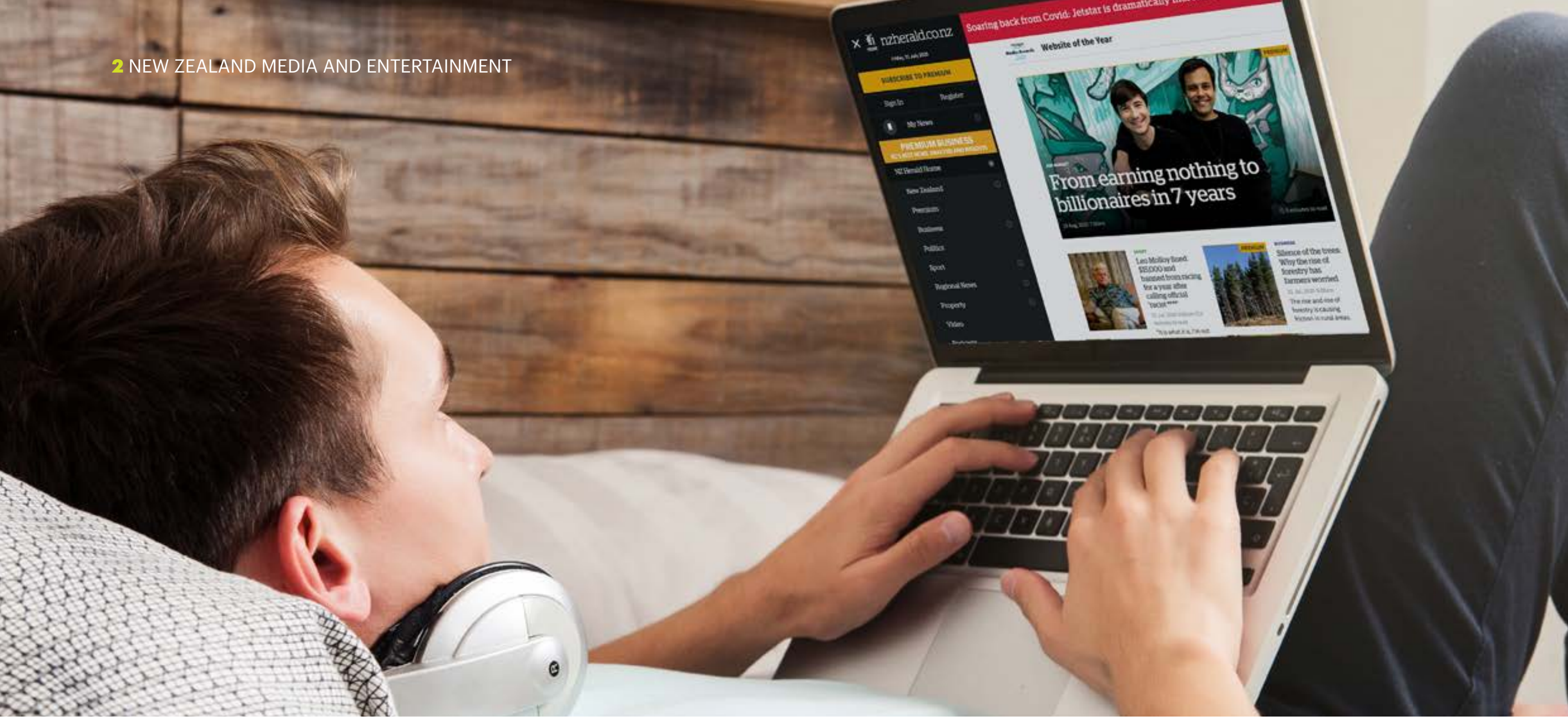
CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NZME Limited

For the six months ended 30 June 2020

NZME.

NEW ZEALAND MEDIA AND ENTERTAINMENT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Coast

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Consolidated Interim Financial Statements

for the six months ended 30 June 2020 (unaudited)

* In an attempt to make these financial statements easier to read, the notes to the financial statements have been grouped into six sections; aimed at grouping items of a similar nature together. The Basis of Preparation section presents a summary of material information and general accounting policies that are necessary to understand the basis on which these consolidated interim financial statements have been prepared. The material accounting policies used in the preparation of these consolidated interim financial statements are generally consistent with those used in the audited consolidated financial statements for the year ended 31 December 2019. Where there have been changes to accounting policies or the Directors consider it necessary to disclose an accounting policy in these consolidated interim financial statements, accounting policies have been included in the relevant note. Key judgments and estimates relevant to a particular note are also included in the relevant note, and are clearly marked. A summary of the key judgments and estimates is also included under the Basis of Preparation section on page 14.

CHAIRMAN'S REPORT.

New Zealand Media and Entertainment's role is to ensure New Zealanders have access to news and information they can trust and have confidence in. Rarely, has that role been more vital than during the events of the past six months.

It is a privilege to Chair the Board of New Zealand Media and Entertainment, a truly essential, exciting and resilient business.

Delivering on NZME's purpose of keeping Kiwis in the know has never been more crucial than during the Covid-19 pandemic. This year will be remembered for Covid-19 and the disruption it has caused around the world.

I am proud of how NZME continues to serve our country and our communities as an Essential Service during this unprecedented time, fulfilling our responsibilities to all New Zealanders whether they be part of our audience or amongst our many commercial partners.

Swift action, taken by your Board and management to mitigate the impacts of Covid-19 on the business, has reduced risk and stabilised the foundations for sustainable future growth for shareholders.

Progress against our strategic priorities and effective capital management has allowed NZME to continue to operate effectively during these testing times and deliver a positive interim result.

Progress against our strategic priorities and effective capital management has allowed NZME to continue to operate effectively during these testing times and deliver a positive interim result.

Success in leading the future of news and journalism in New Zealand is evidenced by the strong growth in NZ Herald Premium digital subscriptions, now more than 82,000, including more than 43,000 paid digital subscriptions. We have regularly seen NZ Herald online and iHeartRadio audiences reach twice normal levels[1] as New Zealanders seek to be informed and entertained during these challenging times.

Achievements in journalism and the strength of NZME's editorial platforms were recognised at the 2020 Voyager Media Awards where The New Zealand Herald took the 'Triple Crown' of 'Newspaper of the Year', 'Website of the Year' and 'Best News Website or App'. For the second year running, NZME was also awarded the top Asia/Pacific prize at the annual INMA media awards of 'Best Global Media Brand in Asia Pacific'. These awards are testament to the quality of our talent and commitment of our people, of whom I am extremely proud.

We continue to focus on our three key strategic priorities of leading the future of news and journalism in New Zealand, growing radio and leading digital audio, and creating New Zealand's leading real estate platform.

NZME has again made significant progress against our capital management targets in the half year. Net Debt reduced to $55.2 million as at 30 June 2020, with the leverage ratio reduced to 1.0 times Operating Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA")[2]. We will continue to progress with our capital management commitment, to strengthen our Balance Sheet while maintaining the ability to invest in growth opportunities across the business.

[1] Nielsen Online Ratings, June 2020. [2] Operating results presented include the impact of NZ IFRS 16, however exclude exceptional items to allow for a like for like comparison between 2019 and 2020 half years. Please refer to the 2020 Half Year Results Presentation for a detailed reconciliation. Operating and statutory results include $8.6 million of Covid-19 government wage subsidy received in H1 2020.

We introduced our Sustainability Commitment in 2019, focused on supporting our communities, our people and our environment in order to support long term shareholder value creation. NZME's Sustainability Commitment is ongoing and we will provide an update on achievements against these measurable objectives at the full year.

New Zealand is cautious regarding the future economic environment and so are we. Cost agility and containment remain a focus. Based on continued improvement in economic conditions, Covid-19 recovery, improved revenue trends and permanent cost reductions, we would expect profit growth in 2021. Based on this outlook and NZME's capital requirements, the Board expects to be able to consider a dividend payment for 2021.

I would like to thank our CEO and the Executive Team. They have displayed exemplary leadership during the most trying of times. And thank you to NZME's people who have served our audiences and communities during a challenging first half of the year.

Finally, your Board thanks shareholders for their ongoing support. We remain focused on delivering long term shareholder value and look forward to updating you on our progress later in the year.

Barbara Chapman
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT.

More than 3.2 million New Zealanders[3] rely on us to keep them informed and entertained. The importance of this responsibility continues to be highlighted during the unprecedented events of this year. This has represented a challenging time for many New Zealanders, here and abroad.

At the heart of all that we do is a desire to put people first - our audiences, our customers and our people. New Zealanders trust New Zealand Media and Entertainment to provide them with the most accurate, informative, and timely news and journalism during this difficult time. We remain steadfastly dedicated to deliver for our audiences and to keep our advertisers connected with their customers.

NZME's impressive suite of brands and unrivalled pool of talent keep our audiences engaged. We attract more than 1.2 million print readers[3], 2.0 million radio listeners[4] and 2.4 million digital consumers[3] each month.

H1 2020 Financial Results

Commercial partners and advertisers continue to value NZME as a powerful multi-platform connection to their target customers. Whilst advertising and retail circulation revenues came under significant pressure in the second quarter, we were very pleased to gain market share across key revenue channels within radio, print and digital advertising.

Total Operating Revenue[5] of $157.8 million was down 13% on the comparable period. Included in this is Segment revenue of $147.3 million, down 17% largely due to the impacts of Covid-19. Other Revenue of $10.5 million included an $8.6 million wage subsidy received from the government, partially offsetting advertising revenue declines.

We remain steadfastly dedicated to deliver for our audiences and to keep our advertisers connected with their customers.

Our focus on cost efficiencies continued and was supplemented by additional cost initiatives in the first half, helping to mitigate the impact of Covid-19 on the business. These included the temporary suspension of some newspaper inserted magazines and community newspapers, the closure of Radio Sport and a wide scale workforce restructuring. Directors' fees and employee salaries were also reduced temporarily by 15-20% on a voluntary basis.

Combined, these initiatives led to a 16% year-on-year reduction in Operating expenses[5] for the half.

Operating EBITDA[5] was $28.9 million for the half year, an increase of 5% against the first half of 2019

Operating Net Profit After Tax ("NPAT")[5] was $6.8 million and Operating Earnings Per Share (EPS)[5] was 3.5 cents per share in H1 2020, an increase of 1.4 cents per share due to higher Operating EBITDA[5] and a comparably lower depreciation charge in the period.

Statutory NPAT was $3.0 million, compared to $0.9 million in the comparable period.

Capital expenditure was lower in H1 2020 at $3.3 million, a decrease from $4.5 million in the comparable period.

NZME's key strategic priorities

We have made good progress against our three strategic priorities in the half year - our commitment to lead the future of news and journalism in New Zealand, growing radio and leading digital audio, and creating New Zealand's leading real estate platform.

NZ Herald Premium digital subscriptions delivered $2.4 million revenue in the half year, representing an annualised run rate

[3] Nielsen CMI Fused Q2 19 – Q1 20, June, People 15+. Digital: May 2020, People AP10+ [4] GfK Radio Audience Measurement, Commercial Radio Stations, NZME and Partners, Cumulative Audience, S1 2020, People 10+. [5] Operating results presented include the impact of NZ IFRS 16, however exclude exceptional items to allow for a like for like comparison between 2019 and 2020 half years. Please refer to the 2020 Half Year Results Presentation for a detailed reconciliation. Operating and statutory results include $8.6 million of Covid-19 government wage subsidy received in H1 2020. [6] PwC Radio advertising market benchmark report, 6months to 30 June 2020 vs 6 months to 30 June 2019. [7] iHeartMedia, Adobe Analytics, June 2020. [8] AdsWizz and StreamGuys, June 2020. [9] GfK Radio Audience Measurement, Commercial Radio Stations, Market Share, S1 2020, People 10+. [10] GfK Radio Audience Measurement, Commercial Radio Stations, Market Share, S1 2020, People 25-54 y/o. [11] OneRoof's listings as a percentage of active residential for-sale real estate listings on trademe.co.nz. [12] Nielsen Online Ratings, June 2020. [13] Google Analytics (July 2020).

of $7.5 million based on current subscriber volumes. Our unwavering ambition to be the leading provider of quality news in New Zealand will be supported by recent investment in our business and regional journalism, enabling us to provide a further enhanced content offering, increasing audience and subscribers.

We were pleased to see growth in NZME's radio revenue continue up until Covid-19 began to impact advertising revenues towards the end of the first quarter. Whilst radio advertising markets tightened in the second quarter, NZME gained radio revenue market share[6]. iHeartRadio continues to achieve revenue growth through increased listener volume[7] and engagement[8].

In terms of radio listener market share, talk radio major market share grew 0.8% year-on-year to 14.8%[9], due to the continued success of Newstalk ZB. Music radio major market share was down 0.9% to 25.0%[10]. In June, we made several exciting enhancements in radio brand optimisation, talent and content to support future growth in music listener market share.

OneRoof's real estate listings platform has continued to grow and hit a strategic milestone during this period, now having more residential for-sale listings in Auckland than any other site[11]. The platform now hosts more than 83% of New Zealand's for-sale listings[11]. OneRoof generated revenue growth in the first half to $1.4 million despite a decrease in total property sales volumes in New Zealand due to Covid-19.

OneRoof continues to grow its presence in the market. The platform's monthly unique digital audience has grown to 300,000[12], with less than a quarter now referred from the NZ Herald site[13], indicating an increased brand strength. The launch of virtual offerings during lockdown provide the foundation for future audience and revenue growth.

These priorities will remain a focus for the remainder of 2020 and we look forward to updating you on our progress later in the year.

Conclusion

I'm very proud to have led NZME's success in providing quality journalism and access to customers for advertisers at a time more critical than ever. This, as well as the pleasing financial results achieved in this half, would not have been possible without our people's commitment.

I thank our suppliers, business partners, and advertisers for their ongoing support and partnership during the year to date. I thank our audience of 3.2 million New Zealanders[3] for choosing to read, listen and connect with us. We are here to deliver quality news and entertainment from New Zealand and around the world - to keep Kiwis in the know every day.

I appreciate the ongoing support and active interest of our shareholders and I would like to thank the Board for their continued support and guidance.

Michael Boggs
Chief Executive Officer

DIRECTORS' STATEMENT.

The Directors are pleased to present the consolidated interim financial statements of NZME Limited (the "Company") and its subsidiaries (together the "Group") for the six months ended 30 June 2020, incorporating the consolidated interim financial statements and the auditor's independent review report.

The Directors are responsible, on behalf of the Company, for presenting these consolidated interim financial statements in accordance with applicable New Zealand legislation and New Zealand equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting* and the NZX Listing Rules.

The consolidated interim financial statements for the Group as presented on pages 9 to 31 are signed on behalf of the Board of Directors, and are authorised for issue on the date below.

For and on behalf of the Board of Directors

Barbara Chapman
Chairman

Carol Campbell
Director

Date: 24 August 2020

CONSOLIDATED INTERIM INCOME STATEMENT.

for the six months ended 30 June 2020 (unaudited)

	Note	**June 2020 $'000**	June 2019 $'000
Revenue	2.1	**149,039**	180,741
Finance and other income	2.1	**10,262**	399
Total revenue and other income	2.1	**159,301**	181,140
Expenses from operations before finance costs, depreciation and amortisation		**(136,093)**	(157,750)
Depreciation and amortisation	2.3.2	**(14,997)**	(17,010)
Finance costs	2.3.2	**(4,024)**	(4,953)
Profit before income tax expense		**4,187**	1,427
Income tax expense		**(1,176)**	(477)
Net profit after tax		**3,011**	950
Profit for the period is attributable to:			
Owners of the Company		**3,217**	1,176
Non-controlling interests		**(206)**	(226)
		3,011	950

		Cents	Cents
Earnings per share attributable to the ordinary shareholders of the Company			
Basic earnings per share (cents per share)	2.2	**1.64**	**0.60**
Diluted earnings per share (cents per share)	2.2	**1.61**	**-**

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

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME.

for the six months ended 30 June 2020 (unaudited)

	Note	June 2020 $'000	June 2019 $'000
Net profit after tax		**3,011**	950
Other comprehensive income			
Items that may be reclassified to profit or loss			
Effective loss on hedging instruments		**(810)**	-
(Less): recycling of cash flow hedge reserve		**(25)**	-
Tax impact of hedging transactions		**234**	-
Net (loss) / gain on hedging instruments		**(601)**	-
Exchange differences on translation of foreign operations		**(40)**	(2)
Other comprehensive (loss) net of taxation		**(641)**	(2)
Total comprehensive income		**2,370**	948
Total comprehensive income attributable to:			
Owners of the Company		**2,576**	1,174
Non-controlling interests		**(206)**	(226)
		2,370	948

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

CONSOLIDATED INTERIM BALANCE SHEET.

as at 30 June 2020 (unaudited)

	Note	June 2020 $'000	December 2019 $'000
as at 30 June 2020 (unaudited)			
Cash and cash equivalents		**25,013**	14,416
Trade and other receivables		**39,126**	52,449
Inventories		**1,671**	1,943
Total current assets		**65,810**	68,808
Non-current assets			
Intangible assets	3.1	**152,842**	150,263
Property, plant and equipment	3.2	**36,999**	39,902
Right-of-use assets	3.3	**69,145**	75,538
Capital work in progress	3.4	**8,600**	13,633
Other financial assets		**4,123**	4,123
Other receivables and prepayments		**1,092**	1,329
Derivative financial instruments		**-**	248
Total non-current assets		**272,801**	285,036
Total assets		**338,611**	353,844
Current liabilities			
Trade and other payables		**48,478**	51,483
Current lease liabilities	3.6	**9,717**	11,076
Current tax provision		**429**	254
Total current liabilities		**58,624**	62,813
Non-current liabilities			
Non-current lease liabilities	3.6	**79,905**	84,807
Interest bearing liabilities	4.2	**80,245**	89,149
Derivative financial instruments		**587**	-
Deferred tax liability		**198**	605
Total non-current liabilities		**160,935**	174,561
Total liabilities		**219,559**	237,374
Net assets		**119,052**	116,470
Equity			
Share capital		**360,768**	360,768
Reserves		**2,555**	2,984
Retained earnings		**(244,495)**	(247,712)
Total Company interest		**118,828**	116,040
Non-controlling interests		**224**	430
Total equity		**119,052**	116,470

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

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY.

for the six months ended 30 June 2020 (unaudited)

		Attributable to owners of the company					
	Note	Share capital $'000	Reserves $'000	Retained earnings $'000	**Total $'000**	Non-controlling interests $'000	**Total Equity $'000**
Balance at 1 January 2019		360,363	2,998	(83,593)	**279,768**	937	**280,705**
Profit for the period		-	-	1,176	**1,176**	(226)	**950**
Other comprehensive (loss)		-	(2)	-	**(2)**	-	**(2)**
Total comprehensive income		-	(2)	1,176	**1,174**	(226)	**948**
Share based payments		-	118	-	**118**	-	**118**
Balance at 30 June 2019		360,363	3,114	(82,417)	**281,060**	711	**281,771**
Balance at 1 January 2020		360,768	2,984	(247,712)	**116,040**	430	**116,470**
Profit for the period		-	-	3,217	**3,217**	(206)	**3,011**
Other comprehensive (loss)		-	(641)	-	**(641)**	-	**(641)**
Total comprehensive income		-	(641)	3,217	**2,576**	(206)	**2,370**
Share based payments		-	212	-	**212**	-	**212**
Balance at 30 June 2020		360,768	2,555	(244,495)	**118,828**	224	**119,052**

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

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS .

for the six months ended 30 June 2020 (unaudited)

	Note	June 2020 $'000	June 2019 $'000
Cash flows from operating activities			
Receipts from customers		**158,514**	182,837
Payments to suppliers and employees		**(136,198)**	(158,151)
Government grants		**10,235**	-
Dividends received		**-**	79
Interest received		**50**	53
Interest paid on bank facilities		**(1,450)**	(1,994)
Interest paid on leases		**(2,302)**	(2,451)
Income taxes paid		**(1,175)**	(2,030)
Net cash inflows / (outflows) from operating activities	4.3	**27,674**	18,343
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets (including work in progress)		**(3,300)**	(4,465)
Proceeds from sale of property, plant and equipment		**-**	11
Net cash inflows / (outflows) from investing activities		**(3,300)**	(4,454)
Cash flows from financing activities			
Proceeds from borrowings		**4,000**	27,500
Repayments of borrowings		**(13,000)**	(36,500)
Borrowing costs paid		**-**	(36)
Payments for lease liability principal		**(4,777)**	(5,706)
Net cash inflows / (outflows) from financing activities		**(13,777)**	(14,742)
Net increase / (decrease) in cash and cash equivalents		**10,597**	(853)
Cash and cash equivalents at beginning of the period		**14,416**	11,717
Cash and cash equivalents at end of the period		**25,013**	10,864

The above Consolidated Interim Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

1.0 BASIS OF PREPARATION

1.1 REPORTING ENTITY AND STATUTORY BASE

NZME Limited (NZX:NZM, ASX:NZM) is a for-profit company limited by ordinary shares which are publicly traded on the NZX Main Board and the Australian Securities Exchange as a Foreign Exempt Listing. NZME Limited is incorporated and domiciled in New Zealand. It is registered under the Companies Act 1993 and is a FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The entity's registered office is 2 Graham Street, Auckland, 1010, New Zealand.

NZME Limited (the "Company" or "Parent") and its subsidiaries' (together the "Group") principal activity during the financial period was the operation of an integrated media and entertainment business.

1.2 GENERAL ACCOUNTING POLICIES

These consolidated interim financial statements have been prepared in accordance with New Zealand equivalent to International Accounting Standard 34: *Interim Financial Reporting*, International Accounting Standard 34: *Interim Financial Reporting* and the NZX Listing Rules.

The consolidated interim financial statements do not include all notes of the type normally included in an annual financial report. Accordingly, these consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2019 and any public announcements made by NZME Limited during the interim reporting period and up to the date of these consolidated interim financial statements. These consolidated interim financial statements are presented for the Group.

The material accounting policies used in the preparation of these consolidated interim financial statements are generally consistent with those used in the audited consolidated financial statements for the year ended 31 December 2019. Where there have been changes to accounting policies or the Directors consider it necessary to disclose an accounting policy in these consolidated interim financial statements, accounting policies have been included in the relevant note.

These consolidated interim financial statements are presented in New Zealand dollars, which is the Company's functional and the Group's presentation currency, and rounded to the nearest thousand, except where otherwise stated.

These consolidated interim financial statements were approved for issue by the Board of Directors on 24 August 2020. These consolidated interim financial statements have not been audited, but have been reviewed in accordance with New Zealand Standard on Review Engagement 2410: *Review of Financial Statements Performed by the Independent Auditor of the Entity.*

1.3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated interim financial statements requires the use of certain significant judgments, accounting estimates and assumptions, including judgments, estimates and assumptions concerning the future. The estimates and assumptions are based on historical experiences and other factors that are considered to be relevant. The resulting accounting estimates will by definition, seldom equal the related actual results and are reviewed on an ongoing basis. Significant areas of estimation and judgment in these consolidated interim financial statements are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2019, and are as follows:

Areas of significant accounting estimates or judgments	Note
Determination of the number of reportable segments	2.3.1
Assumptions and judgments used in the impairment review of indefinite life intangible assets	3.1.1
Right-of-use assets	3.3

1.4 NEW STANDARDS AND INTERPRETATIONS ADOPTED IN THE CURRENT PERIOD

The Group early adopted the practical expedient provided in the amendment to NZ IFRS 16: *Leases in* relation to rent concessions received as a result of Covid-19. In adopting the practical expedient the impact of the rent concessions on the current liabilities were credited to other income within the income statement.

The Group adopted a new accounting policy in relation to Government Grants and Government Assistance that it received as a result of Covid-19. The accounting policy adopted is set out in note 2.1 of these consolidated interim financial statements and is a policy that adheres to NZ IAS 20: *Accounting for Government Grants and Disclosure of Government Assistance.*

There have been no other changes to accounting policies or new standards adopted during the period.

1.5 COVID-19

The global pandemic was declared by the World Health Organisation on 11 March 2020. The subsequent full lockdown of New Zealand's non-essential services has had a significant impact on the Group.

NZME's core news and broadcast media business operated as an essential service during lockdown. Some community newspapers were unable to be delivered and some NZME run events had to be cancelled or postponed.

The following paragraphs provide some detail on the impacts of Covid-19 and on the Group's response to the pandemic:

1.5.1 Revenue

The impact of Covid-19 on the Group's revenue began in the final two weeks of March. March advertising revenue was 10.0% below last year with April 47.6% down, May 39.2% down and June 23.7% down. Other revenue channels were also impacted to varying degrees.

1.5.2 The Group's Response to Covid-19

The Group responded immediately to the revenue decline with the Directors and CEO reducing their fees and salary respectively and employees also asked to take a voluntary 15% reduction for 12 weeks. Restructuring of the work force was undertaken with over 200 roles being disestablished. The Group also negotiated with its landlords to obtain rent relief on various properties. The Group adopted the Covid-19 Practical Expedient in relation to rent concessions and as such the relief obtained from these is reflected through a reduction in lease liabilities with a corresponding gain recognised in other income in the Income Statement ($458,155). The Group has increased its bad debt provision by $235,399 to take into account an expected increase in losses related to the economic impact of the pandemic on the Group's advertisers.

1.5.3 Government Assistance

The Group applied for and received the Government's wage subsidy and the income statement for the six months ended 30 June 2020 contains $9,966,184 of wage subsidy. This subsidy has been recognised as other income ($8,559,469) and as an offset to costs ($1,406,715) as per the Group's accounting policy for Government Grants detailed in note 2.1.

The Government announced a Media Relief package on 23 April 2020 whereby media companies would receive relief from paying transmitter tower rental, power and contracted maintenance costs for six months beginning 1 May 2020 for the transmitter sites leased from Kordia and Radio New Zealand. The relief obtained for the tower rental is reflected through a reduction in lease liabilities with a corresponding gain recognised in other income in the Income Statement ($994,325).

1.5.4 Other

The rent concessions received as a result of Covid-19 have decreased the deferred tax assets relating to NZ IFRS 16 by $116,967.

The impacts of Covid-19 have been taken into account as part of the Group's impairment assessment as at 30 June 2020, see note 3.1.1.

While Covid-19 has had a material impact on the Group's revenue, the Group's cost base has been significantly reduced. The Group's net debt position at 30 June 2020 is lower than the 31 December 2019 position and the Group expects to be able to meet its liabilities as they fall due and remain in compliance with all relevant banking covenants for the foreseeable future. As such there is no change to the Directors' assessment that it is appropriate to apply the going concern basis of accounting.

1.5.5 Subsequent to Balance Date

On 12 August the Auckland region of New Zealand was placed at alert level 3* while the rest of New Zealand was placed at alert level 2* for an expected period of two weeks in response to community Covid-19 outbreak in Auckland. The Group has continued to operate safely with all staff able to, working from home. This development highlights the uncertainty of Covid-19 impacts into the future, but at this stage does not change the Group's judgments or estimates.

*These levels are defined at covid19.govt.nz.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

CONT.

2.0 GROUP PERFORMANCE

2.1 DISAGGREGATION OF REVENUE AND OTHER INCOME

	Print $'000	Radio $'000	Digital & e-Commerce $'000	**Total $'000**
For the six months ended 30 June 2020				
Advertising	35,285	43,296	24,319	**102,900**
Circulation and subscription	36,473	-	2,437	**38,910**
External printing and distribution	1,032	-	-	**1,032**
Other	2,546	445	1,511	**4,502**
Segment revenue from integrated media and entertainment activities	75,336	43,741	28,267	**147,344**
Shared services centre				**1,694**
Events				**1**
Total revenues from external customers				**149,039**
Government grants[A]				**8,559**
Rental income from sub-leases				**201**
Lease rent concession[A]				**1,452**
Other income				**10,212**
Finance income				**50**
Total finance and other income				**10,262**
Total revenue and other income				**159,301**

[A] See the Covid-19 note (note 1.5) for further information.

	Print $'000	Radio $'000	Digital & e-Commerce $'000	**Total $'000**
For the six months ended 30 June 2019				
Advertising	51,096	53,032	26,571	**130,699**
Circulation and subscription	38,516	-	212	**38,728**
External printing and distribution	3,948	-	-	**3,948**
Other	3,077	428	1,431	**4,936**
Segment revenue from integrated media and entertainment activities	96,637	53,460	28,214	**178,311**
Shared services centre				**1,701**
Events				**729**
Total revenues from external customers				**180,741**
Dividends				**79**
Rental income from sub-leases				**256**
Gain on disposal of property, plant and equipment				**11**
Other income				**346**
Finance income				**53**
Total finance and other income				**399**
Total revenue and other income				**181,140**

Accounting policies

Cash received from Government grants is recorded as "Other income" however, where a portion of the cash received relates to costs that are recognised as Exceptional items in accordance with the NZME Exceptional Items Recognition Framework, that portion is recognised as an Exceptional item and deducted from the related expense.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

CONT.

2.2 EARNINGS PER SHARE

	June 2020 $'000	June 2019 $'000
Reconciliation of earnings used in calculating basic / diluted earnings per share ("EPS")		
Profit attributable to owners of the parent entity	**3,217**	1,176
Profit attributable to owners of the parent entity used in calculating EPS	**3,217**	**1,176**

	June 2020 $'000	June 2019 $'000
Weighted average number of shares		
Weighted average number of shares for calculating basic EPS	**196,555,998**	196,011,282
Adjusted for calculation of diluted EPS	**3,024,181**	-
Weighted average number of shares in the denominator in calculating diluted EPS	**199,580,179**	**196,011,282**

	June 2020 Cents	June 2019 Cents
Basic / diluted earnings per share		
Basic earnings per share (cents per share)	**1.64**	0.60
Diluted earnings per share (cents per share)	**1.61**	-

2.3 SEGMENT INFORMATION

2.3.1 Determination and description of segments

Significant judgments: The Group has one reportable segment – being "Integrated Media and Entertainment". All significant operating decisions are based upon analysis of NZME as one operating segment. The Executive Team and the Board of Directors have been identified as the Chief Operating Decision Maker. The Group's major products and services are split by channel only at the revenue level into Print, Radio and Digital & e-Commerce which is the way in which revenue is reported to the Chief Operating Decision Maker. Although the Group operates in many different markets within New Zealand, for management reporting purposes the Group operates in one principle geographical area being New Zealand as a whole.

Integrated Media and Entertainment incorporates the sale of advertising, goods and services generated from the audiences attached to the Group's media platforms.

2.3.2 Segment revenues and results

The segment information provided to the Directors and Executive Team for the six months ended 30 June 2020 is as follows:

	June 2020 $'000	June 2019 $'000
Revenues from external customers by channel		
Print	**75,336**	96,637
Radio	**43,741**	53,460
Digital and e-Commerce	**28,267**	28,214
Segment revenue from integrated media and entertainment activities	**147,344**	178,311
Revenue from shared services centre	**1,694**	1,701
Events	**1**	729
Total revenues from external customers	**149,039**	180,741
Dividend income	**-**	79
Government grants[A]	**8,559**	-
Rental income from sub-leases[B]	**201**	256
Gain on disposal of property, plant and equipment	**-**	11
Expenses from operations before finance costs, depreciation, amortisation and exceptional items	**(128,888)**	(153,477)
Total segment adjusted EBITDA[C]	**28,911**	27,610
Depreciation and amortisation on owned assets	**(8,658)**	(10,599)
Depreciation on right-of-use assets	**(6,339)**	(6,411)
Total depreciation and amortisation	**(14,997)**	(17,010)
Interest expense on bank facilities	**(1,699)**	(2,502)
Interest expense on leases	**(2,325)**	(2,451)
Total finance cost	**(4,024)**	(4,953)
Interest income	**50**	53
Lease rent concession [D]	**1,452**	-
Exceptional items:		
Redundancies and associated costs [E]	**(7,017)**	(3,193)
Costs in relation to one-off projects [F]	**(188)**	(1,080)
Profit before tax	**4,187**	1,427

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

CONT.

[A] Government grants is the wage subsidy received from the Government in response to the effect of Covid-19 on businesses. The total received was $10,235,441 allocated to Other income ($8,559,469); Exceptional costs ($1,406,715) ,where the subsidy relates to employees who were made redundant; and the balance sheet ($269,256) where the sum received is in respect of employees who subsequently left the Company.

[B] Rental income of $122,036 was received from the sub lease of right-of-use assets (2019: $166,506).

[C] Adjusted Earnings before Interest, Tax, Depreciation and Amortisation (Adjusted EBITDA) from continuing operations which excludes exceptional items, is a non-GAAP measure that represents the Group's total segment result which is regularly monitored by the Chief Operating Decision Maker. Exceptional items are those gains, losses, income and expense items that are not directly related to the primary business activities of the Group which are determined in accordance with the NZME Exceptional Items Recognition Framework adopted by the Audit & Risk Committee. Exceptional items include redundancies and one-off projects. These items are excluded from the segment result that is regularly reviewed by the Chief Operating Decision Maker.

[D] The Group early adopted the Practical Expedient under NZ IFRS 16 in relation to Covid-19 rent concessions. The rent concessions received by the Group reduced lease liabilities by $1,452,480. A corresponding amount is recognised within other income in the income statement.

[E] The redundancies and associated costs relate to the restructuring and integration of the New Zealand operations.

[F] 2020 and 2019 costs are primarily in relation to the Group's further attempt to acquire Stuff Ltd.

As the Group has one operating segment, the assets and liabilities as reported on the consolidated balance sheet are also the segment assets and liabilities, and the income tax expense in the consolidated income statement is also the segment income tax. A corresponding amount is recognised within other income on the income statement.

3.0 OPERATING ASSETS & LIABILITIES

3.1 INTANGIBLE ASSETS

	Goodwill $'000	Software $'000	Masthead Brands $'000	Radio Licences $'000	Brands $'000	**Total $'000**
As at 31 December 2019						
Cost	166,397	73,987	146,976	77,547	59,079	**523,986**
Accumulated amortisation and impairment	(166,397)	(58,851)	(74,336)	(44,258)	(29,881)	**(373,723)**
Net book value	**-**	**15,136**	**72,640**	**33,289**	**29,198**	**150,263**
For the period ended 30 June 2020						
Opening net book amount	-	15,136	72,640	33,289	29,198	**150,263**
Amortisation	-	(3,060)	-	(1,479)	-	**(4,539)**
Adjustment and transfers	-	14	-	-	-	**14**
Transfers from capitalised work in progress	-	7,104	-	-	-	**7,104**
Net book value	**-**	**19,194**	**72,640**	**31,810**	**29,198**	**152,842**
As at 30 June 2020						
Cost	166,397	81,105	146,976	77,547	59,079	**531,104**
Accumulated amortisation and impairment	(166,397)	(61,911)	(74,336)	(45,737)	(29,881)	**(378,262)**
Net book value	**-**	**19,194**	**72,640**	**31,810**	**29,198**	**152,842**

3.1.1 Half year impairment review

Significant judgments: As disclosed in note 2.3.1 the Directors have determined that the Group has one reportable segment – being "Integrated Media and Entertainment". The Directors have also determined that this is the only cash generating unit ("CGU") for impairment testing because this is the lowest level for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets. Accordingly, all goodwill and intangibles with indefinite useful lives are allocated to one CGU. This note also includes details of certain key estimates and assumptions made during the impairment testing process.

A comprehensive impairment review was conducted at 31 December 2019. The recoverable amount of the CGU (which includes goodwill and indefinite life intangible assets) is determined based on the higher of fair value less costs to sell and value in use calculations using management budgets and forecasts. The recoverable amount of the CGU is compared against the carrying value of the CGU to determine whether there has been impairment.

Covid-19 has had a significant impact on the Group, see note 1.5 for further information. While advertising revenue was greatly reduced in April 2020, May 2020 and June 2020 the Group's cost management response, together with the Government's wage subsidy and Media Relief package, has mitigated the effects on the Group's result with the six months to 30 June 2020 returning an increased profit compared to both last year and the forecast included in the year end impairment model.

The current year's forecast has been reflected in the value in use model. The value in use model also reflects a worsening revenue forecast of 7% for 2021 and 4% for 2022 offset by the cost savings implemented by the Group in response to Covid-19. The resulting value in use assessment supports the carrying value of the non-amortising intangible assets.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

CONT.

With the exception of the impacts of Covid-19 outlined above, the forecasts and assumptions used in the impairment assessment are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2019. The forecasts have been prepared by management for the specific purpose of impairment testing. Actual results may differ materially from those forecast or implied. The forecasts are not, and should not be read as, a forecast of, or guidance as to, the future financial performance and earnings of the Group.

Revenue forecasts are prepared based on management's current expectations, with consideration given to internal information and relevant external industry data and analysis. The forecasts used in impairment testing require assumptions and judgments about the future, such as discount rates, long term growth rates, forecasted revenues, to which the model is sensitive, and which are inherently uncertain.

Management has identified that there are reasonably possible changes to key assumptions that could result in impairment. The sensitivity of the assessment to reasonably possible changes to key assumptions is largely unchanged from that disclosed in the consolidated financial statements for the year ended 31 December 2019. Key factors in the current environment which may impact on future performance include:

- the level of recovery in advertising spend following the negative impact of lockdowns during the Covid-19 pandemic;
- the future economic outlook and overall business confidence levels, given the Covid-19 impacts on advertising revenues;
- the level of digital transformation across business and consumer markets, impacting advertising and subscription revenues; and
- the ongoing ability to manage costs in line with changes in revenue.

The Group compares the carrying amount of net assets with the market capitalisation value at each balance date. The share price at 30 June 2020 was $0.27 equating to a market capitalisation of $53.1 million. This market value excludes any control premium and may not reflect the value of 100% of NZME's net assets. The carrying amount of NZME's net assets at 30 June 2019 was $119.1 million ($0.61 per share) . Management considered the reasons for this difference and whether all relevant factors had been allowed for in their value in use model.

3.2 PROPERTY, PLANT AND EQUIPMENT

	Freehold land $'000	Buildings[A] $'000	Plant and equipment $'000	**Total $'000**
As at 31 December 2019				
Cost or fair value	1,165	14,697	337,165	**353,027**
Accumulated depreciation and impairment	-	(7,478)	(305,647)	**(313,125)**
Net book amount	**1,165**	**7,219**	**31,518**	**39,902**
For the period ended 30 June 2020				
Opening net book amount	1,165	7,219	31,518	**39,902**
Additions	-	-	73	**73**
Depreciation	-	(605)	(3,514)	**(4,119)**
Other adjustments and transfers	-	-	(14)	**(14)**
Transfers from capitalised work in progress	-	-	1,157	**1,157**
Net book amount	**1,165**	**6,614**	**29,220**	**36,999**
As at 30 June 2020				
Cost or fair value	1,165	14,697	338,381	**354,243**
Accumulated depreciation and impairment	-	(8,083)	(309,161)	**(317,244)**
Net book amount	**1,165**	**6,614**	**29,220**	**36,999**

[A] Buildings include leasehold improvements with a netbook value of $6,500,978 (2019: $7,104,280).

3.3 RIGHT-OF-USE ASSETS

Significant judgments: The Group has used the practical expedient of applying a single discount rate to a portfolio of assets and has further applied the same incremental borrowing rate of 5% to each portfolio of assets. In determining the discount rate to use, Management reviewed publicly available rates for Government Bonds, Westpac swap rates and Treasury Risk-free discount rates and then applied an adjustment to these rates to apply a company specific credit risk. The Group has also used the practical expedient of relying on previous assessments of whether leases are onerous and the practical expedient offered in relation to rent concessions received in response to Covid-19.

	Buildings $'000	Transmission $'000	Vehicles $'000	Other $'000	**Total $'000**
As at 31 December 2019					
Net book amount	**67,553**	**6,219**	**1,730**	**36**	**75,538**
For the period ended 30 June 2020					
Additions	-	-	117	-	**117**
Depreciation	(4,021)	(1,873)	(417)	(28)	**(6,339)**
Changes in lease payments or lease terms	(171)	-	-	-	**(171)**
Net book amount	**63,361**	**4,346**	**1,430**	**8**	**69,145**

3.4 CAPITAL WORK IN PROGRESS

	June 2020 $'000
As at 31 December 2019	**13,633**
Additions	**3,228**
Transfers to property, plant and equipment	**(1,157)**
Transfers to intangible assets	**(7,104)**
As at 30 June 2020	**8,600**

Capital work in progress is transferred to the relevant asset category once the project is completed. Capitalised work in progress is not depreciated or amortised prior to being transferred to the relevant asset category.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

CONT.

3.5 NET TANGIBLE ASSETS

Net tangible assets per share is a non-GAAP measure that is required to be disclosed by the NZX Listing Rules. The calculation of the Group's net tangible assets per share and its reconciliation to the consolidated balance sheet is presented below:

	June 2020 $'000	December 2019 $'000
Total assets	**338,611**	353,844
(Less): intangible assets	**(152,842)**	(150,263)
(Less): total liabilities	**(219,559)**	(237,374)
Net tangible assets	**(33,790)**	(33,793)
Number of shares issued (in thousands)	**196,556**	196,011
Net tangible assets per share	**($0.17)**	($0.17)

3.6 LEASE LIABILITIES

	June 2020 $'000
As at 31 December 2019	
Current lease liabilities	**11,076**
Non-current lease liabilities	**84,807**
Total lease liabilities	**95,883**
(Add): Interest on lease liabilities	**2,325**
(Add): New leases	**117**
(Less): Rent concessions	**(1,452)**
(Less): Adjustments	**(172)**
Total lease liabilities before cash payments	**96,701**
(Less): Interest paid on leases	**(2,302)**
(Less): Principal payments	**(4,777)**
Total cash payments	**(7,079)**
Total lease liabilities at 30 June 2020	**89,622**
Current lease liabilities	**9,717**
Non-current lease liabilities	**79,905**
Total lease liabilities at 30 June 2020	**89,622**

4.0 CAPITAL MANAGEMENT

4.1 DIVIDENDS

4.1.1 Dividends paid

On 24 February 2020 the Board of Directors confirmed that NZME Ltd would not be declaring a final dividend for the year to 31 December 2019.

4.1.2 Dividends declared after balance date

The Board of Directors have not declared an interim dividend for the year to 31 December 2020.

4.1.3 Franking and imputation credits

	June 2020 $'000	December 2019 $'000
Imputation credits available for subsequent reporting periods based on the New Zealand 28% tax rate for the Group	**NZ$ 13,492**	NZ$ 12,596
Franking credits available to the Company for subsequent reporting periods based on the Australia 30% tax rate for the Group	**AU$ 0 [A]**	AU$ 0 [A]

[A] Although the Company does not have any franking credits available for use, other entities within the Group have AU$10,828,676 (December 2019: AU$10,828,676) available that Directors expect to be available to the Company in future periods.

4.2 INTEREST BEARING LIABILITIES

	June 2020 $'000	December 2019 $'000
Non-current interest bearing liabilities		
Bank loans – secured	**80,500**	89,500
Deduct:		
Capitalised borrowing costs	**(255)**	(351)
Total non-current interest bearing liabilities	**80,245**	89,149
Net debt		
Cash and cash equivalents	**(25,013)**	(14,416)
Total debt less cash and cash equivalents	**55,232**	74,733

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

CONT.

The Group is funded from a combination of its own cash reserves and NZ$150 million bilateral bank loan facilities, which NZME refinanced on 21 November 2018, of which $80.5 million (December 2019: $89.5 million) is drawn and $69.5 million (December 2019: $60.5 million) is undrawn as at 30 June 2020. The facility limit would have stepped down by $10 million annually from 1 January 2020 and was to have expired on 1 January 2022.

The interest rate for the drawn facility is the BKBM plus credit margin.

The NZME bilateral facilities contain undertakings which are customary for facilities of this nature including, but not limited to, provision of information, negative pledge and restrictions on priority indebtedness, acquisition and disposals of assets. The assets of the Group are collateral for the interest bearing liability.

In addition, the Group must comply with financial covenants (a net debt to EBITDA ratio and an EBITDA to net interest expense ratio) for each 12 month period ending on 30 June and 31 December. The Group has complied with all relevant covenants.

On 22 July 2020 the parties agreed further amendments to the banking facilities with an extension of the facilities for an additional eighteen months. The new expiry date is 1 July 2023. The new agreement has amended financial covenants with revised leverage ratios and requires no distributions until after 30 June 2021. The facility limit of the extended facilities is $120 million and will step down by $10 million at 30 June 2021.

4.3 CASH FLOW INFORMATION

	June 2020 $'000	June 2019 $'000
Reconciliation of cash		
Cash at end of the period, as shown in the statement of cash flows, comprises:		
Total current assets	**25,013**	10,864
Reconciliation of net cash inflows / (outflows) from operating activities to profit for the period:		
Profit for the period	**3,011**	950
Depreciation and amortisation expense	**14,997**	17,010
Borrowing cost amortisation	**96**	97
Net (gain) on sale of non-current assets	**-**	(11)
Change in current / deferred tax payable	**1**	(1,554)
Lease rent concession	**(1,452)**	-
Interest accrual on leases	**23**	-
Share based payment expense	**212**	118
Changes in assets and liabilities net of effect of acquisitions:		
Trade and other receivables	**13,068**	4,189
Inventories	**272**	(382)
Prepayments	**490**	(1,250)
Trade and other payables and employee benefits	**(3,044)**	(824)
Net cash inflows from operating activities	**27,674**	18,343

4.4 FAIR VALUE MEASUREMENT

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets at fair value through profit or loss (FVTPL);
- Land and buildings (excluding leasehold improvements).

4.4.1 Fair value hierarchy

NZ IFRS 13 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).

4.4.2 Recognised fair value measurements

	June 2020 $'000	December 2019 $'000
Recurring fair value measurements		
Financial assets (Level 2)		
Derivative financial instruments	**(587)**	248
Financial assets (Level 3)		
There are no financial assets carried at fair value. Other financial assets of $4,122,569 (December 2019: $4,122,569) are held at cost and therefore have been excluded from this table. The balance relates to the Group's investments in associates and joint arrangements.		
Total financial assets	**(587)**	248
Non-financial assets (Level 3)		
Freehold land and buildings		
Freehold land	**1,165**	1,165
Buildings (excluding leasehold improvements)	**113**	115
Total non-financial assets	**1,278**	1,280

All fair value measurements referred to above are either level 2 or level 3 of the fair value hierarchy and there were no transfers between levels.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

CONT.

4.4.3 Disclosed fair values

Performance measures

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 these notes.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

The fair value of interest bearing liabilities disclosed in note 4.2 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 ending 30 June 2020, the borrowing rates were determined to be between 2.5% and 4.0% (December 2019: between 3.4% and 4.6%), depending on the type of borrowing. The fair value of borrowings approximates the carrying amount, as the impact of discounting is not significant (level 2).

4.4.4 Valuation techniques used to derive at level 2 and 3 fair values

Recurring fair value measurements

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.
These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Group obtains independent valuations for its freehold land and buildings (classified as property, plant and equipment in note 3.2), less subsequent depreciation for buildings, with sufficient regularity to ensure that the carrying value of the assets is materially consistent with their fair value. All resulting fair value estimates for properties are included as level 3.

5.0 GROUP STRUCTURE AND INVESTMENTS IN OTHER ENTITIES

5.1 CONTROLLED ENTITIES

The consolidated interim financial statements incorporate the assets, liabilities and results of the subsidiaries listed below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interest held equals the voting rights held by the Group. All entities are incorporated in, and operate in, New Zealand unless otherwise stated. There were no changes in control during the period ended 30 June 2020.

	June 2020 Ownership Interest	December 2019 Ownership Interest
Name of entity		
Grabone Limited	**100%**	100%
NZME Australia Pty Limited [A]	**100%**	100%
NZME Educational Media Limited	**100%**	100%
NZME Holdings Limited	**100%**	100%
NZME Investments Limited	**100%**	100%
NZME Print Limited	**100%**	100%
NZME Publishing Limited	**100%**	100%
NZME Radio Investments Limited	**100%**	100%
NZME Radio Limited [B]	**100%**	100%
NZME Specialist Limited	**100%**	100%
The Hive Online Limited	**100%**	100%
New Zealand Radio Network Limited	**100%**	100%
The Radio Bureau Limited	**100%**	100%
OneRoof Limited	**80%**	80%

[A] Incorporated in, and operates in, Australia.

[B] One "Kiwi Share" held by the Minister of Finance. The rights and obligations are set out in the NZME Radio constitution.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

CONT.

5.2 INTERESTS IN OTHER ENTITIES

The Group has the following associates, joint ventures and joint operations:

	June 2020 Ownership Interest	December 2019 Ownership Interest
Eveve New Zealand Limited [A]	**40%**	40%
KPEX Limited [D]	**25%**	25%
New Zealand Press Association Limited [A]	**38.82%**	38.82%
Restaurant Hub Limited [A]	**40%**	40%
The Beacon Printing & Publishing Company Limited [A]	**21%**	21%
The Gisborne Herald Company Limited (held through Essex Castle Limited as a trust company for NZME Publishing Limited) [A]	**49%**	49%
The Radio Bureau [B]	**50%**	50%
The Wairoa Star Limited [A]	**40.41%**	40.41%
The Newspaper Publishers Association of New Zealand Incorporated [C]		
Online Media Association [C]		
New Zealand Media Council [C]		
Radio Broadcasters Association Incorporated [C]		

[A] These entities are classified as joint ventures or associates. Because the effects of equity accounting are immaterial, these investments are carried at cost.

[B] The Radio Bureau is classified as a joint operation and the Group has included its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses in these consolidated financial statements.

[C] These are bodies with which entities in the Group have memberships, but no ownership interest.

[D] In August 2019 it was announced that KPEX Limited would be wound up. The notice that KPEX is to be removed from the Register of Companies was issued on 16 July 2020.

6.0 OTHER NOTES

6.1 RELATED PARTIES

The Beacon Printing & Publishing Company Limited purchased advertising from the Group during the six months ended 30 June 2020 totalling $270 (2019: $3,559) and reimbursed $nil (2019: $6,200) for paper used.

In November 2015, the Company, Stuff, TVNZ and MediaWorks launched a new local advertising exchange service, KPEX Limited, offering media agencies and clients a programmatic option for purchasing online advertising. The Group received advertising revenue of $nil (2019: $1,061,448) from KPEX Limited and paid commission of $nil (2019: $97,487) to KPEX Limited. On 19 August 2019 it was agreed that KPEX would be wound up.

The Group has commitments to provide future services (such as house advertising, occupancy space at NZME offices, business as usual finance and human resources support) to certain joint ventures and associates. During the period such services were provided to Eveve New Zealand Limited, valued at $13,996 (2019: $21,496) and Restaurant Hub Limited, valued at $6,004 (2019: $37,898). The outstanding balances for future services are included in the table below, along with other receivables and payables.

During the period the Group received advertising revenue from The Wairoa Star Limited totalling $1,736 (2019: $5,913). The Wairoa Star Limited also purchased other services totalling $nil (2019: $709) from the Group. The Group purchased services from The Wairoa Star Limited totalling $904 (2019: $608) during the year.

The Chinese New Zealand Herald ceased being a related party in December 2019. In the period ending June 2019 the Group received advertising revenue totalling $52,118 from The Chinese New Zealand Herald Limited and paid commission totalling $24,932.

	June 2020 Receivables $'000	December 2019 Receivables $'000	**June 2020 Payables $'000**	December 2019 Payables $'000
Balances with related party				
Eveve New Zealand Limited	**-**	-	**12**	26
Restaurant Hub Limited	**58**	47	**6**	78
The Wairoa Star Limited	**-**	1	**-**	-
The Beacon Printing & Publishing Company Limited	**-**	1	**-**	-
Total related party receivables and payables	**58**	49	**18**	104

6.2 CONTINGENT LIABILITIES

The Group did not have contingent liabilities as at 30 June 2020.

6.3 SUBSEQUENT EVENTS

An amendment to the existing loan facilities was signed on 22 July 2020, see note 4.2.

The changes to New Zealand's lockdown levels on 12 August 2020 are discussed in note 1.5.5.

The Directors are not aware of any other material events subsequent to the reporting date.

pwc

Independent review report

To the shareholders of NZME Limited

Report on the consolidated interim financial statements

We have reviewed the accompanying consolidated interim financial statements of NZME Limited (the Company) and its subsidiaries (the Group) on pages 9 to 31, which comprise the consolidated interim balance sheet as at 30 June 2020, and the consolidated interim income statement, the consolidated interim statement of comprehensive income, the consolidated interim statement of changes in equity and the consolidated interim statement of cash flows for the six months ended on that date, and selected explanatory notes.

Directors' responsibility for the consolidated interim financial statements

The Directors are responsible on behalf of the Company for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34) and for such internal control as the Directors determine is necessary to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a conclusion on the accompanying consolidated interim financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with IAS 34 and NZ IAS 34. As the auditors of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of consolidated interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Accordingly, we do not express an audit opinion on these consolidated interim financial statements.

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. Our firm carries out other services for the Group in the areas of agreed upon procedures for the benchmarking of market revenue data and agreed upon procedures relating to the Group's return to the Broadcasting Standards Authority. In addition, certain partners and employees of our firm may subscribe to NZME services on normal terms within the ordinary course of the trading activities of the Group. The provision of these other services has not impaired our independence.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 June 2020, and its financial performance and cash flows for the six months then ended, in accordance with IAS 34 and NZ IAS 34.

Who we report to

This report is made solely to the Company's Shareholders, as a body. Our review work has been undertaken so that we might state to the Company's Shareholders those matters which we are required to state to them in our review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants | Auckland
24 August 2020

EVERYONE'S HERE.

NZME.

NEW ZEALAND MEDIA AND ENTERTAINMENT