

Macquarie Radio Network Limited
ABN 32 063 906 927

ASX Appendix 4E
Final Report

For the year ended
30 June 2014

Macquarie Radio Network Limited

Appendix 4E

Preliminary final report

Company Details

Name of Entity:	Macquarie Radio Network Limited
ABN:	32 063 906 927
Year Ended (Current Year):	30 June 2014
Year Ended (Prior Year):	30 June 2013

Results for announcement to the market

\$'000's

Revenues from ordinary activities	Down	2%	to	\$56,474
Profit from ordinary activities after tax attributable to members	Down	35%	to	\$ 5,924
Net profit for the year attributable to members	Down	35%	to	\$ 5,924
Dividends	Amount per security	Franked amount per security		
Final dividend proposed	5.0 ¢	5.0 ¢		
Interim dividend	5.0 ¢	5.0 ¢		
Record date for determining entitlements to the final dividend.	1 September 2014			
Discussion and analysis of the results for the financial year ended 30 June 2014:				
Refer to attached press release for commentary				
Earnings per share	Basic	Diluted		
As at 30 June 2014	7.6 ¢	7.4 ¢		
As at 30 June 2013	11.9 ¢	11.5 ¢		

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Consolidated Statement of Profit or Loss and Other Comprehensive Income	Note	Current year \$'000	Prior year \$'000
Revenue	2	56,474	57,454
Other income	2	460	3,315
Employee benefits		(30,330)	(29,403)
Employee options expense		(82)	(12)
Depreciation and amortisation	3	(918)	(818)
Legal, professional and consulting		(1,275)	(1,564)
Rent	3	(1,783)	(1,696)
Royalties, licences and commissions		(4,531)	(4,561)
Programming content		(1,548)	(2,507)
Utilities and telephone		(1,303)	(1,351)
Marketing and promotions		(211)	(204)
Insurances		(620)	(560)
Other		(4,818)	(4,635)
Finance costs	3	(795)	(1,133)
Profit before tax		8,720	12,325
Income tax expense	4	(2,796)	(3,204)
Profit for the year		5,924	9,121
Other comprehensive income			
Gain/(Loss) on available-for-sale financial assets		19	(2)
Other comprehensive income/(loss) for the year		19	(2)
Total comprehensive income for the year		5,943	9,119

Earnings Per Share (EPS)	Note	Current year	Prior year
Basic EPS	10	7.6 ¢	11.9 ¢
Diluted EPS	10	7.4 ¢	11.5 ¢

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

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Consolidated Statement of Financial Position	Note	At end of current year \$'000	Prior year \$'000
Current Assets			
Cash and cash equivalents	9(a)	3,492	1,883
Trade and other receivables		10,181	11,361
Other assets		63	63
Total Current Assets		13,736	13,307
Non-Current Assets			
Other receivables		665	787
Available-for-sale financial assets		65	587
Property, plant and equipment		5,553	5,443
Deferred tax assets		1,517	1,611
Radio licences		20,095	20,095
Other assets		338	402
Intangible assets		511	511
Total Non-Current Assets		28,744	29,436
Total Assets		42,480	42,743
Current Liabilities			
Trade and other payables		4,512	5,083
Current tax liabilities		1,892	763
Provisions		2,312	2,303
Total Current Liabilities		8,716	8,149
Non-Current Liabilities			
Borrowings		14,750	13,750
Provisions		195	270
Total Non-Current Liabilities		14,945	14,020
Total Liabilities		23,661	22,169
NET ASSETS		18,819	20,574
Equity			
Contributed equity	6	4,827	4,827
Reserves	7	(5,735)	(5,836)
Retained earnings	8	19,727	21,583
TOTAL EQUITY		18,819	20,574
Net Tangible Asset Backing			
Net tangible asset backing per ordinary share		(0.02) cents	0.00 cents

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

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Consolidated Statement of Changes in Equity

	Note	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 2012		4,827	171	(6,010)	(7)	17,537	16,518
Profit for the year		-	-	-	-	9,121	9,121
Loss on available-for-sale financial assets	7	-	-	-	(2)	-	(2)
Total comprehensive income for the year		-	-	-	(2)	9,121	9,119
Recognition of share-based payments	7	-	12	-	-	-	12
Payment of dividends	5	-	-	-	-	(5,075)	(5,075)
Balance at 30 June 2013		4,827	183	(6,010)	(9)	21,583	20,574
Balance at 1 July 2013		4,827	183	(6,010)	(9)	21,583	20,574
Profit for the year		-	-	-	-	5,924	5,924
Profit on available-for-sale financial assets	7	-	-	-	19	-	19
Total comprehensive income for the year		-	-	-	19	5,924	5,943
Recognition of share-based payments	7	-	82	-	-	-	82
Payment of dividends	5	-	-	-	-	(7,780)	(7,780)
Balance at 30 June 2014		4,827	265	(6,010)	10	19,727	18,819

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

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Consolidated Statement of Cash Flows		Current year \$'000	Prior year \$'000
	Note		
Cash flow from operating activities			
Receipts from customers		63,096	66,241
Payments to suppliers & customers		(52,490)	(53,494)
Income taxes (paid)/received		(1,573)	143
Interest received		58	108
Finance costs		(795)	(1,026)
<i>Net cash provided by operating activities</i>	9(b)	<u>8,296</u>	<u>11,972</u>
Cash flow from investing activities			
Payments for property, plant and equipment		(1,028)	(981)
Payment for intangible assets		-	(500)
Payment for other financial assets		-	(896)
Proceeds from sale of other financial assets		1,000	356
Repayments of loans by employees		121	123
<i>Net cash provided by/(used in) investing activities</i>		<u>93</u>	<u>(1,898)</u>
Cash flow from financing activities			
Proceeds from borrowings		1,500	3,900
Repayment of borrowings		(500)	(9,050)
Dividends paid	5	(7,780)	(5,075)
<i>Net cash used in financing activities</i>		<u>(6,780)</u>	<u>(10,225)</u>
Net increase /(decrease) in cash held		<u>1,609</u>	<u>(151)</u>
Cash at beginning of year		<u>1,883</u>	<u>2,034</u>
Cash at the end of the year	9(a)	<u>3,492</u>	<u>1,883</u>

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

NOTE 1 – Accounting Policies

a) Basis of Preparation

The preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report is based on accounts which are in the process of being audited.

The accounting policies applied are consistent with those applied in the 2013 annual financial statements with the exception of the following:

(i) Commission revenue

Revenue from commission is recognised on an accruals basis in accordance with the substance of the relevant agreement.

NOTE 2 - Revenue

	Current year \$'000	Prior year \$'000
Sales Revenue		
- advertising revenue	51,348	52,055
- programming and cost recoveries	5,068	5,291
- interest	58	108
	<u>56,474</u>	<u>57,454</u>
Other income		
- royalties	-	1,501
- contingent consideration reversal	-	1,814
- profit on sale of investment	460	-
	<u>460</u>	<u>3,315</u>

NOTE 3 – Profit before tax

	Current year \$'000	Prior year \$'000
Profit before income tax includes the following specific expenses:		
Finance costs paid or payable to:		
- other persons	795	1,026
- deferred costs of acquisition	-	107
Total borrowing costs	<u>795</u>	<u>1,133</u>
Depreciation of property, plant & equipment	718	612
Amortisation of non-current assets:		
- intangible assets	-	6
- leasehold improvements	200	200
	<u>918</u>	<u>818</u>
Rental expense on operating leases	<u>1,783</u>	<u>1,696</u>

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NOTE 3 – Profit before tax (continued)	Current year \$'000	Prior year \$'000
Bad and doubtful debts:		
- bad debts written off	438	60
- doubtful debts	(200)	62
	<u>238</u>	<u>122</u>
NOTE 4 - Income Tax	Current year \$'000	Prior year \$'000
(a) Reconciliation of income tax expense to prima facie tax payable		
A reconciliation of income tax expense attributable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:		
Accounting profit before income tax	<u>8,720</u>	<u>12,325</u>
At the statutory income tax rate of 30 % (2013: 30%)	2,616	3,697
Effect of income that is exempt from taxation	-	(544)
Effect of expenses that are not deductible	130	83
Adjustment in relation to prior year	<u>50</u>	<u>(32)</u>
Effective income tax rate of 32 % (2013: 26 %)	<u>2,796</u>	<u>3,204</u>
(b) Income tax expense recognised:		
Current tax	2,702	3,003
Deferred tax	<u>94</u>	<u>201</u>
	<u>2,796</u>	<u>3,204</u>

NOTE 5 – Dividends

2014 Final ordinary franked dividend of 5 cents has been declared.

Dividends provided for or paid	Current year \$'000	Prior year \$'000
Dividends provided for or paid during the financial year:		
2014 Interim ordinary franked dividend of 5 cents paid on 14 March 2014 (2013: 5 cents)	3,890	3,890
2013 Final ordinary franked dividend of 5 cents paid on 20 September 2013 (2012: 1.5 cents)	3,890	1,185
	<u>7,780</u>	<u>5,075</u>
Dividends not recognised at the end of the financial year:	<u>3,890</u>	<u>3,890</u>
Franking credits		
Franking credits available for subsequent financial years based upon a tax rate of 30%:	<u>5,276</u>	<u>5,959</u>

NOTE 6 – Contributed Equity	Current year \$'000	Prior year \$'000
Issued and Paid up Capital		
77,806,262 (2013: 77,806,262) Ordinary shares fully paid	4,827	4,827
	Number	Number
Total shares on issue	77,806,262	77,806,262
Total ordinary shares	77,806,262	77,806,262
Terms & Conditions		
<u>(i) Ordinary Shares</u>		
Ordinary shares entitle the shareholders to participate in dividends and each share is entitled to one vote at shareholders' meetings. On the winding up of the company, ordinary shareholders rank after creditors, and are fully entitled to any proceeds on liquidation.		
<u>(ii) Options</u>		
4,000,000 new options were granted in December 2008; they were to vest in equal tranches at the end of each the financial years 2011, 2012 and 2013, and were subject to the achievement of performance based vesting conditions.		
In both September 2012 and November 2012, 1,333,334 options were exercised for nil consideration. Full details of the exercise are included in the ASX announcements made on 7 September 2012 and 23 November 2012. The vesting conditions in relation to the final tranche of 1,333,332 options were not met and these options expired on 31 October 2013.		
In May 2013, 2,800,000 new options were issued – they vest in equal tranches at the end of each of the financial years 2014 and 2015 and are subject to the achievement of performance based vesting conditions. The vesting conditions in relation to the first tranche of 1,400,000 options were not met and these options will expire in due course.		
At balance date, options have been granted over shares as follows:	Number	Exercise Price Exercise period
Options issued Dec 2008	4,000,000	
Options exercised Sep 2012	(1,333,334)	
Options exercised Nov 2012	(1,333,334)	
Options issued May 2013	2,800,000	
Options as at 30 June 2013	4,133,332	
Options expired Oct 2013	(1,333,332)	
Options as at 30 June 2014	2,800,000	- to 30/6/2015

NOTE 6 – Contributed Equity (continued)

(iii) Related Party Transactions

As resolved at the Annual General Meeting of Shareholders held on 18 November 2010, approval was given to the issue to the Company's Executive Chairman, Mr Russell Tate, of 3,000,000 fully paid ordinary shares in the capital of the Company for an issue price of 50 cents each. Financial assistance has been provided to Mr Tate to make this acquisition by way of an interest free limited recourse loan. In accordance with the requirements of accounting standard AASB 2 *Share-based Payment*, this issue has been treated as an in-substance option and the shares issued were shown in the prior year as a deduction from issued share capital described as "Treasury shares deemed not issued". The shares were subject to escrow arrangements that permitted the shares to be released from escrow on 30 June 2012.

On 22 November 2012, the Company bought back 2,542,372 Executive shares from Executive Chairman, Mr Russell Tate, for a total consideration of \$1,500,000. Full details of the buy-back are included in the ASX announcement made on 23 November 2012.

NOTE 7 – Reserves

	Current year \$'000	Prior year \$'000
Options reserve		
Balance at the beginning of the financial year	183	171
Recognition of share based payment	82	12
Balance at the end of the financial year	265	183
Share buy-back reserve		
Balance at the beginning of the financial year	(6,010)	(6,010)
Balance at the end of the financial year	(6,010)	(6,010)
Available-for-sale revaluation reserve		
Balance at the beginning of the financial year	(9)	(7)
Valuation gain/(loss) recognised	19	(2)
Balance at the end of the financial year	10	(9)
	(5,735)	(5,836)

NOTE 8 – Retained Earnings

Retained earnings at the beginning of the financial year	21,583	17,537
Dividends paid	(7,780)	(5,075)
Net profit	5,924	9,121
Balance at the end of the financial year	19,727	21,583

NOTE 9 – Cash Flow Information	Current year \$'000	Prior year \$'000
(a) Reconciliation of cash		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash on hand and at bank	<u>3,492</u>	<u>1,883</u>
(b) Reconciliation of cash flow from operations		
Profit after income tax	5,924	9,121
Non-cash flows in operations:		
Depreciation and amortisation	918	818
Bad debts expense	438	-
Movement in option reserve	82	12
Interest on deferred consideration	-	107
Loss on disposal of plant and equipment	-	14
Contingent consideration reversal	-	(1,814)
Profit on sale of investment	(460)	-
Changes in assets and liabilities:		
Decrease in receivables	942	1,357
(Decrease) / Increase in doubtful debt provision	(200)	62
Decrease in other assets	64	63
(Decrease) / Increase to provisions	(66)	11
Decrease in trade payables and accruals	(569)	(1,126)
Movement in income tax balances	<u>1,223</u>	<u>3,347</u>
Cash flow from operating activities	<u>8,296</u>	<u>11,972</u>

NOTE 10 – Earnings Per Share	Current year \$'000	Prior year \$'000
Profit for the year	5,924 <u>5,924</u>	9,121 <u>9,121</u>
Weighted average number of ordinary shares used as the denominator in calculating basic EPS	Number <u>77,806,262</u>	Number <u>76,857,341</u>
Weighted average number of ordinary shares used as the denominator in calculating diluted EPS	<u>80,606,262</u>	<u>79,568,528</u>
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company		
Basic EPS (cents per share)	7.6 ¢	11.9 ¢
Diluted EPS (cents per share)	7.4 ¢	11.5 ¢
NOTE 11 – Segment Reporting		
The consolidated entity operates in a single business segment being radio and associated media activities in a sole geographical location being Australia.		

Annual General Meeting

The annual meeting will be held as follows:

Place	TBA
Date	12 November 2014
Time	TBA

Audit

The report is based upon accounts that are in the process of being audited.

Signed



Russell Tate
Chairman

Sydney
20 August 2014