ASX RELEASE **20 FEBRUARY 2020**

APPENDIX 4D
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Results for Announcement to the Market (All comparisons to 31 December 2018)

Key Financial Information	$'000	up/down	% movement
Revenue from ordinary activities	308,108	Down	8.2%
Net profit from ordinary activities after tax (including significant items)	20,420	Up	N/A
Net profit from ordinary activities after tax (excluding significant items)	26,621	Down	32.7%

Dividend Information	Amount per share cents	Franked amount per share cents	Tax rate for franking credit
Final FY2019 dividend per share (paid 8 October 2019)	4.00	4.00	30%
Interim FY2020 dividend per share (to be paid 16 April 2020)	2.75	2.75	30%

The dividend reinvestment plan has been suspended and will not apply in respect of the interim FY2020 dividend.

Interim FY2020 Dividend Dates	
Ex-dividend date	2 March 2020
Record date	3 March 2020
Payment date	16 April 2020

	31 Dec 19	31 Dec 18
Net Tangible Assets Per Security	$(0.47)*	$(0.27)

*Excludes the right-of-use asset recognised under AASB 16 *Leases*

Additional Appendix 4D disclosure requirements can be found in the directors' report, financial statements and notes to the financial statements contained in the Southern Cross Austereo Interim Financial Report for the half year ended 31 December 2019. This report is based on the consolidated Interim Financial Report for the half year ended 31 December 2019 which has been reviewed by PricewaterhouseCoopers with the Independent Auditor's Review Report included in the Interim Financial Report.

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Approved for release by the Board of Directors.

SOUTHERN CROSS AUSTEREO

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Southern Cross Austereo comprises Southern Cross Media Group Limited and its subsidiaries. Southern Cross Media Group Limited is a company limited by shares and incorporated and domiciled in Australia. The registered office of Southern Cross Media Group Limited is Level 2, 257 Clarendon Street, South Melbourne, Victoria 3205 Australia. Tel: +61 3 9252 1019.

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Directors' Report

The Directors of Southern Cross Media Group Limited ("the Company") submit the following report for Southern Cross Austereo, being Southern Cross Media Group Limited and its subsidiaries ("the Group"), for the half year ended 31 December 2019. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

The following persons were Directors of the Company during the whole of the financial half year, unless otherwise stated, and up to the date of this report:

- Peter Bush (Chairman)
- Leon Pasternak (Deputy Chairman)
- Grant Blackley
- Glen Boreham
- Rob Murray
- Helen Nash
- Melanie Willis

Principal Activities

The principal activities of the Group during the course of the financial half year were the creation and broadcasting of content on free-to-air commercial radio (AM, FM and digital), TV and online media platforms across Australia. These media assets are monetised via revenue generated from the development and sale of advertising solutions for clients.

There were no changes in the nature of the Group during the half year.

Review and Results of Operations

The Group reported revenue of $308.1 million for the 6 month period ended 31 December 2019, a decrease of 8.2% from $335.7 million for the same period in the prior year. EBITDA for the 6 months was $67.5 million decreasing 17.6% from $82.0 million in the same period in the prior year, due to weak conditions in advertising markets. Net profit after tax was $20.4 million for the 6 months ended 31 December 2019, from a net loss after tax of $119.3 million in the same period in the prior year. The current period results were impacted by a change in accounting policy following the adoption of AASB16 Leases, as disclosed in Note 13.

EBITDA is a measure that, in the opinion of the directors, is a useful supplement to net profit in understanding the cash flow generated from operations and available for payment of income taxes, debt service and capital expenditure. EBITDA is useful to investors because analysts and other members of the investment community largely view EBITDA as a widely recognised measure of operating performance. EBITDA disclosed within the Directors' Report is equivalent to "Profit before depreciation, amortisation, interest, fair value movements on financial derivatives and income tax expense for the half year" included within the Statement of Comprehensive Income.

Significant Items

In the 6 months to 31 December 2019, the Group recognised Restructuring charges of $2.9 million, which related to the outsourcing of transmission services and cost-out program. There was also the related tax effect in respect of the Restructuring charges. The Group also recognised the impairment of investments of $3.3 million.

Dividends

The final dividend for the year ended 30 June 2019 was 4.0 cents per fully paid share, fully franked and was paid on 8 October 2019 by the Company. Since the end of the financial half year ended 31 December 2019 the Directors have declared an interim ordinary dividend of 2.75 cents per fully paid share, fully franked (31 December 2018 interim dividend: 3.75 cents per fully paid share, fully franked). The interim dividend will be paid on 16 April 2020 by the Company. The dividend reinvestment plan has been suspended and this interim dividend will be paid fully in cash.

Significant Changes in State of Affairs

In the six months to 31 December 2019, the Group sold its existing transmission assets and outsourced the provision of transmission services to Broadcast Australia.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Group that occurred during the half year under review.

Events Occurring After Balance Sheet Date

Events occurring after balance date are outlined in Note 12 "Events Occurring after Balance Date" to the Financial Statements.

Directors' Holdings of Shares

The aggregate number of Company fully paid shares held directly, indirectly or beneficially by directors of the Company at the date of this report is 2,466,219 (30 June 2019: 1,760,633).

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 3.

Signed in accordance with resolutions of the directors of Southern Cross Media Group Limited.

Peter Bush Chairman Southern Cross Media Group Limited Sydney, Australia 20 February 2020	Grant Blackley Director Southern Cross Media Group Limited Sydney, Australia 20 February 2020

Auditor's Independence Declaration

As lead auditor for the review of Southern Cross Media Group Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Southern Cross Media Group Limited and the entities it controlled during the period.

Trevor Johnston
Partner
PricewaterhouseCoopers

Melbourne
20 February 2020

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Statement of Comprehensive Income

	Note	Consolidated 1 Jul 19 -31 Dec 19 $'000	Consolidated 1 Jul 18 -31 Dec 18 $'000
Revenue from continuing operations	3	308,108	335,720
Broadcast and production costs		(58,851)	(62,524)
Employee expenses		(103,584)	(101,301)
Selling costs		(37,214)	(40,833)
Occupancy costs		(9,212)	(14,558)
Promotions and marketing		(7,168)	(8,715)
Administration costs		(25,087)	(25,983)
Other Income		124	-
Share of net profit/(losses) of investments accounted for using the equity method		417	204
Profit before depreciation, amortisation, interest, fair value movements on financial derivatives and income tax expenses for the half year from continuing operations		67,533	82,010
Impairment of intangibles		-	(226,883)
Impairment of Investment		(3,350)	-
Depreciation and amortisation expense		(19,268)	(14,901)
Interest expense and other borrowing costs		(14,317)	(10,237)
Interest revenue		199	441
(Loss)/Profit before income tax expense for the half year from continuing operations		30,797	(169,570)
Income tax credit/(expense) from continuing operations	5	(10,377)	50,288
(Loss)/Profit from continuing operations after income tax for the half year		**20,420**	**(119,282)**
Other comprehensive income for the half year that may be reclassified to profit or loss:			
Changes to fair value of cash flow hedges, net of tax		505	(1,065)
Total comprehensive (loss)/profit for the half year attributable to shareholders		**20,925**	**(120,347)**
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share		2.7	(15.5)
Diluted earnings per share		2.7	(15.5)

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

Statement of Financial Position

	Note	Consolidated 31 Dec 19 $'000	Consolidated 30 Jun 19 $'000
Current assets			
Cash and cash equivalents		22,542	32,387
Receivables		119,463	135,973
Current tax asset		7,126	1,527
Assets held for sale	7	-	15,000
Total current assets		149,131	184,887
Non-current assets			
Receivables		15,102	1,419
Right-of-use asset	13	109,781	-
Investments accounted for using the equity method		7,989	9,015
Property, plant and equipment		102,894	104,472
Intangible assets	9	945,737	917,960
Total non-current assets		1,181,503	1,032,866
Total assets		1,330,634	1,217,753
Current liabilities			
Payables		53,276	68,137
Deferred Income		5,767	4,729
Provisions		14,825	17,073
Lease Liability		7,246	-
Total current liabilities		81,114	89,939
Non-current liabilities			
Deferred Income		91,063	93,689
Provisions		4,467	9,119
Borrowings		353,173	323,524
Lease liability		110,182	-
Deferred tax liability		259,915	259,537
Derivative financial instruments	10	6,807	7,529
Total non-current liabilities		825,607	693,398
Total liabilities		906,721	783,337
Net assets		423,913	434,416
Equity			
Contributed equity	11	1,379,736	1,379,736
Reserves		578	496
Other equity transactions		(77,406)	(77,406)
Accumulated losses		(879,293)	(868,708)
Equity attributable to equity holders		423,615	434,118
Non-controlling interest		298	298
Total equity		423,913	434,416

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

2019

	Contributed equity	Share-based payment reserve	Hedge reserve	Other equity transactions	(Accumulated losses) /retained profits	Total	Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total equity at 1 July 2019	1,379,736	5,765	(5,270)	(77,406)	(868,708)	434,117	298	434,415
Profit for the half year	-	-	-	-	20,420	20,420	-	20,420
Other comprehensive income	-	-	505	-	-	505	-	505
Total comprehensive income	-	-	505	-	20,420	20,925	-	20,925
Transactions with equity holders in their capacity as equity holders:								
Employee share entitlements	-	190	-	-	-	190	-	190
Payments on maturity of Long Term Incentive Plan	-	(612)	-	-	(244)	(856)	-	(856)
Dividends paid	-	-	-	-	(30,761)	(30,761)	-	(30,761)
	-	(422)	-	-	(31,005)	(31,427)	-	(31,427)
Total equity at 31 December 2019	**1,379,736**	**5,343**	**(4,765)**	**(77,406)**	**(879,293)**	**423,615**	**298**	**423,913**

2018

	Contributed equity	Share-based payment reserve	Hedge reserve	Other equity transactions	(Accumulated losses) /retained profits	Total	Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total equity at 1 July 2018	1,379,736	6,595	(994)	(77,406)	(716,992)	590,939	298	591,237
Loss for the half year	-	-	-	-	(119,282)	(119,282)	-	(119,282)
Other comprehensive income	-	-	(1,065)	-	-	(1,065)	-	(1,065)
Total comprehensive income	-	-	(1,065)	-	(119,282)	(120,347)	-	(120,347)
Transactions with equity holders in their capacity as equity holders:								
Employee share entitlements	-	75	-	-	-	75	-	75
Payments on maturity of Long Term Incentive Plan	-	(560)	-	-	(722)	(1,282)	-	(1,282)
Dividends paid	-	-	-	-	(30,761)	(30,761))	-	(30,761)
	-	(485)	-	-	(31,483)	(31,968)	-	(31,968)
Total equity at 31 December 2018	1,379,736	6,110	(2,059)	(77,406)	(867,757)	438,624	298	438,922

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

Statement of Cash Flows

	Note	Consolidated	
		1 Jul 19 - 31 Dec 19 $'000	**1 Jul 18 - 31 Dec 18 $'000**
Cash flows from operating activities			
Receipts from customers		357,773	383,291
Payments to suppliers and employees		(295,559)	(302,386)
Interest received from external parties		199	441
Tax paid		(15,814)	(19,755)
Net cash inflows from operating activities		**46,599**	**61,591**
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(10,062)	(14,855)
Payments for purchase of investments and intangibles		(28,385)	(12)
Proceeds from sale of property, plant and equipment		921	-
Payment for purchase of investments		(1,908)	-
Net cash flows used in investing activities		**(39,434)**	**(14,867)**
Cash flows from financing activities			
Dividends paid to security holders	6	(30,761)	(30,761)
Net proceeds / (repayment) of borrowings from external parties		28,000	(15,000)
Interest paid to external parties		(6,512)	(7,018)
Lease payments		(7,737)	(118)
Net cash flows used in financing activities		**(17,010)**	**(52,897)**
Net (decrease)/increase in cash and cash equivalents		(9,845)	(6,173)
Cash assets at the beginning of the half year		32,387	56,052
Cash assets at the end of the half year		**22,542**	**49,879**

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

This condensed consolidated interim financial report for the half year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act* 2001.

This interim 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 of the Company for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, however a change has been made due to AASB 16 *Leases* becoming applicable in the current reporting period (refer to note 13 for more details).

Basis of Preparation

i) *Compliance with IFRS*

Compliance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* ensures that the interim financial report complies with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB). Consequently, this interim financial report has also been prepared in accordance with and complies with IAS 34 *Interim Financial Reporting* as issued by the IASB.

ii) *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss. All amounts are presented in Australian dollars, unless otherwise noted.

iii) *Comparative figures*

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

Rounding of Amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' Report and Financial Report. Amounts have been rounded off in accordance with the Instrument to the nearest thousand dollars, unless otherwise indicated.

Critical Accounting Estimates and Judgement

The preparation of the interim financial report in accordance with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires the Group to exercise judgement in the process of applying the accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The Group believes the estimates used in the preparation of the interim financial report are reasonable. Actual results in the future may differ from those reported.

The critical estimates and judgements adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Notes to the Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Notes to the financial statements

Notes relating to individual line items in the financial statements now include accounting policy information where it is considered relevant to an understanding of these items, as well as information about critical accounting estimates and judgements. Details of the impact of new accounting policies and all other accounting policy information are disclosed at the end of the financial report in note 13.

2. Segment Information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The Group has determined operating segments are based on the information reported to the Group CEO and the Company Board of Directors. The Group has determined that it has two main operating segments being:

- Audio, comprising metro and regional radio, podcasting and other related businesses
- Television, comprising the regional television business

	Audio		**Television**		**Corporate**		**Consolidated**	
	1 Jul 19-31 Dec 19 $'000	1 Jul 18-31 Dec 18 $'000	**1 Jul 19-31 Dec 19 $'000**	1 Jul 18-31 Dec 18 $'000	**1 Jul 19-31 Dec 19 $'000**	1 Jul 18-31 Dec 18 $'000	**1 Jul 19-31 Dec 19 $'000**	1 Jul 18-31 Dec 18 $'000
Segment Revenue	**210,889**	230,196	**96,152**	104,657	**1,067**	867	**308,108**	335,720
National Revenue	**113,169**	127,309	**54,349**	53,540	**-**	-	**167,518**	180,849
Local Revenue	**80,249**	87,407	**34,562**	43,051	**-**	-	**114,811**	130,458
Other Revenue	**17,471**	15,480	**7,241**	8,066	**1,067**	867	**25,779**	24,413
Total Revenue	**210,889**	230,196	**96,152**	104,657	**1,067**	867	**308,108**	335,720
EBITDA / Segment Result	**65,120**	79,034	**14,146**	14,618	**(11,733)**	(11,642)	**67,533**	82,010
EBITDA % of Revenue	**30.9%**	34.3%	**14.7%**	14.0%	**-**	-	**21.9%**	24.4%
Impairment of Intangibles and investments	**-**	-	**-**	(226,883)	**(3,350)**	-	**(3,350)**	(226,883)
Depreciation and Amortisation	**-**	-	**-**	-	**-**	-	**(19,268)**	(14,901)
Statutory EBIT / Segment Result	**-**	-	**-**	-	**-**	-	**44,915**	(159,774)
Net Financing costs	**-**	-	**-**	-	**-**	-	**(14,118)**	(9,796)
Income tax expense	**-**	-	**-**	-	**-**	-	**(10,377)**	50,288
Profit/(loss) for the half year attributable to shareholders	**-**	-	**-**	-	**-**	-	**20,420**	(119,282)

Notes to the Financial Statements (continued)

3. Revenue

The profit before income tax from continuing operations included the following specific items of revenue:

	Consolidated	
	1 Jul 19 - 31 Dec 19	**1 Jul 18 - 31 Dec 18**
	$'000	**$'000**
Revenue from continuing operations		
Sales revenue	307,323	333,751
Rental revenue	785	1,969
Total revenue from continuing operations	**308,108**	**335,720**

4. Significant Items

The net profit after tax includes the following items whose disclosure is relevant in explaining the financial performance of the Group. Significant items are those items of such a nature or size that separate disclosure will assist users to understand the financial statements.

	Consolidated	
	1 Jul 19 - 31 Dec 19	**1 Jul 18 - 31 Dec 18**
	$'000	**$'000**
Restructuring charges (after tax)	(2,031)	-
Impairment of Investment	(3,350)	-
Impairment of intangibles (refer note 7)	-	(226,883)
Derecognition of deferred tax liability on impairment (refer note 5)	-	68,065
Modification loss on refinancing (after tax)	(820)	
Total significant items included in net profit after tax	**(6,201)**	**(158,818)**

5. Income Tax Expense

	Consolidated	
	1 Jul 19 - 31 Dec 19	**1 Jul 18 - 31 Dec 18**
	$'000	**$'000**
Income tax expense		
Current tax		
Current tax on profits for the year	6,983	16,291
Adjustments for current tax of prior periods	1,489	744
Total current tax expense	**8,472**	**17,035**
Deferred income tax		
Increase/(decrease) in net deferred tax liabilities	3,722	(66,697)
Adjustment for deferred tax of prior years	(1,817)	(626)
Total deferred tax (credit)/expense	**1,905**	**(67,323)**
Income tax (credit)/expense	**10,377**	**(50,288)**

Notes to the Financial Statements (continued)

6. Dividends Paid

	Consolidated	
	1 Jul 19 - 31 Dec 19 $'000	**1 Jul 18 - 31 Dec 18 $'000**
The dividends were paid/payable as follows:		
Final dividend paid for the year ended 30 June 2019/2018 – fully franked at the tax rate of 30% and paid in cash	30,761	30,761
	30,761	30,761
	Cents per share	Cents per share
Final dividend paid for the year ended 30 June	4.0	4.0

7. Assets held for sale

On 6 August 2019, the Group announced the sale of its existing transmission assets and outsourced the provision of transmission services to Broadcast Australia. The sale was completed on 2 September 2019, with no gain or loss on the disposal of assets held for sale.

	Consolidated	
	31 Dec 19 $'000	**30 Jun 19 $'000**
Assets held for sale	-	15,000
Total assets held for sale	**-**	**15,000**

8. Business Combinations

Acquisition of Redwave Media

On 18 October 2019, the Group announced it would acquire 100% of the Western Australian regional radio business of Seven West Media Group Limited (Redwave Media) to expand its Audio business, for a total cost of $28.3 million payable in cash.

Control on the Redwave Media acquisition passed on 31 December 2019. At the time the Interim Financial Report was authorised for issue, the Group had not yet completed the purchase price allocation for the acquisition. The Group has included net tangible assets of $0.6 million in the Group's Statement of Financial Position, which represents their provisional fair value, with the difference between the consideration paid and the net tangible assets of $27.7 million being recognised within intangible assets as goodwill. This provisional goodwill amount mainly comprises intangible assets in the form of radio licences, on which a deferred tax liability will be derived.

The Group estimates that if the acquisition had arisen on 1 July 2019, the Group's revenues and profit after tax would have been $4.8 million and $1.1 million greater respectively.

One of the licences acquired will be divested under an undertaking to the Australian Communication and Media Authority and will meet the criteria for assets held for sale, however as the purchase price allocation is yet to be completed, the value has not been determined.

Notes to the Financial Statements (continued)

9. Non-Current Assets – Intangible Assets

Consolidated	Goodwill	Broadcasting Licences	Brands and Trademarks	Total
31 December 2019	**$'000**	**$'000**	**$'000**	**$'000**
Cost	379,839	1,483,224	89,982	1,953,045
Accumulated impairment expense	(352,129)	(630,331)	(24,848)	(1,007,308)
Net carrying amount	**27,710**	**852,893**	**65,134**	**945,737**
Movement				
Net carrying amount at 30 June 2019	-	852,893	65,067	917,960
Additions	27,710	-	67	27,777
Net carrying amount at end of period	**27,710**	**852,893**	**65,134**	**945,737**

Consolidated	Goodwill	Broadcasting Licences	Brands and Trademarks	Total
31 December 2018	**$'000**	**$'000**	**$'000**	**$'000**
Cost	352,129	1,483,224	89,828	1,925,181
Accumulated impairment expense	(352,129)	(630,331)	(24,848)	(1,007,308)
Net carrying amount	**-**	**852,893**	**64,980**	**917,873**
Movement				
Net carrying amount at 30 June 2018	-	1,079,776	64,968	1,144,744
Additions	-	-	12	12
Impairment expense	-	(226,883)	-	(226,883)
Net carrying amount at end of period	**-**	**852,893**	**64,980**	**917,873**

Impairment of goodwill and intangible assets with indefinite useful lives

The value of licences, trademarks, brands and goodwill is allocated to the Group's cash generating units ("CGUs") identified as Audio, being the regional and metro free-to-air commercial radio broadcasting and related operations and Television, being the regional television broadcasting operations.

The Group tests at least annually whether goodwill and intangible assets with indefinite useful lives have suffered any impairment and when there is an indication of impairment. The tests incorporate assumptions regarding future events which may or may not occur, resulting in the need for future revisions of estimates.

Notes to the Financial Statements (continued)

10. Derivative Financial Instruments

	Consolidated	
	31 Dec 19 $'000	30 Jun 19 $'000
Interest rate swap contracts – current liability	-	-
Interest rate swap contracts – non current liability	6,807	7,529
Total derivative financial instruments	**6,807**	**7,529**

Hedge accounting

The Group designated interest rates swaps held as cash flow hedges and has applied hedge accounting.

The Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking the hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

The fair values of derivative financial instruments used for hedging purposes are presented within the balance sheet. Movements in the hedging reserve are shown within the Statement of Changes in Equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

In 2017 the Group entered into $200 million of interest rate swap contracts under which it is obliged to receive interest at variable rates and pay interest at fixed rates starting in January 2018 at an average fixed rate of 2.43%. These interest rate swap contracts will expire in January 2021. In 2018 the Group entered into $100 million of interest rate swap contracts under which it is obliged to receive interest at variable rates and pay interest at fixed rates starting in January 2018 at an average fixed rate of 2.25%. These interest rate swap contracts will expire in January 2022. In FY2020 the Group entered into $100 million of interest rate swap contracts under which it is obliged to receive interest at variable rates and pay interest at fixed rates starting in January 2021 at an average fixed rate of 1.04%. These interest rate swap contracts will expire in January 2023.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Comprehensive Income.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within "interest expense and other borrowing costs". When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

Notes to the Financial Statements (continued)

11. Contributed Equity

	Consolidated	
	31 Dec 19 $'000	**30 Jun 19 $'000**
Ordinary Shares	1,379,736	1,379,736
Contributed equity	**1,379,736**	**1,379,736**

	1 Jul 19 - 31 Dec 19 $'000	**1 Jul 18 - 31 Dec 18 $'000**	**1 Jul 19 - 31 Dec 19 Number of securities '000**	**1 Jul 18 - 31 Dec 18 Number of securities '000**
On issue at the beginning of the half year	1,379,736	1,379,736	769,014	769,014
On issue at the end of the financial year	**1,379,736**	**1,379,736**	**769,014**	**769,014**

12. Events Occurring after Balance Sheet Date

On 11 December 2019, the Group announced that it had sucessfully negotiated the refinancing of its syndicated debt facility. The new facility comprises a 3 year revolving $435 million facility and a 1 year revolving $25 million facility and was used to repay the existing drawn debt of $353 million on 8 January 2020 and will provide financial flexibility to support the business going forward. A modification loss of $1.171 million has been recorded in interest expense and other borrowing costs during the half year ended 31 December 2019.

No other matters or circumstances have arisen since the end of the half year that have significantly affected or may significantly affect the operations of the Group, the results of these operations in future financial years or the state of affairs of the Group in periods subsequent to the half year ended 31 December 2019.

13. Other Accounting Policies

New accounting standards and interpretations

AASB 16 *Leases* became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting this standard.

AASB 16 *Leases*

The Group has adopted AASB 16 *Leases* using the modified retrospective with no restatement of prior year comparative information. Changes to accounting policies and financial impact on adoption are detailed below.

(i) Accounting Policies

Prior to 1 July 2019, the Group classified leases as operating leases when all the risks and benefits of ownership are effectively retained by the lessor. Operating lease payments, excluding contingent payments, were charged to the income statement on a straight-line basis over the period of the lease.

Notes to the Financial Statements (continued)

13. Other Accounting Policies (continued)

AASB 16 Leases (continued)

On and after transition, the Group assesses whether a contract is or contains a lease based on the new definition of a lease: a contract is or will contain a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Under AASB 16, the Group recognises on its balance sheet right-of-use assets representing its right to use the underlying assets and corresponding lease liabilities representing its obligation to make lease payments at the lease commencement date.

Right-of-use assets are initially measured at cost and comprise the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at commencement date. These are discounted using the rate implicit in the lease, or, if that rate cannot be readily determined, the Group's incremental borrowing rate, which is the rate the Group would have paid to borrow the funds necessary to obtain an asset of similar value in a similar economic environment and on similar terms and conditions. Generally, the Group uses its incremental borrowing rate.

Lease liabilities are subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there are changes in future lease payments arising from a change in index or rate (e.g. CPI), change in estimate of amount expected to be paid under residual value guarantees or as appropriate, changes in the assessment of whether a purchase or extension is reasonably certain to be exercised or whether a termination option is reasonably certain not to be exercised. The Group applies judgement to determine whether these options are reasonably certain or not.

Lease payments are allocated between the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases (with a lease term of 12 months or less) and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Notes to the Financial Statements (continued)

13. Other Accounting Policies (continued)

AASB 16 *Leases* (continued)

(ii) Practical expedients applied on transition

In applying AASB 16 *Leases*, the Group has used the following practical expedients on transition:

- elected not to reassess whether a contract is, or contains, a lease at the date of the initial application. Instead for contracts entered into before the transition date, the Group relied on assessments made applying AASB 117 and Interpretation 4 in determining whether an Arrangement contains a lease
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short term leases
- reliance on previous assessments on whether leases are onerous
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease, and
- the use of a single discount rate to a portfolio of leases with similar characteristics

(iii) Financial statements impact of AASB 16 Leases

Impact on transition

On adoption, the Group recognised lease liabilities in relation to leases which has previously been classified as 'operating leases' under AASB 16 *Leases*. The lease liabilities are measured at the present value of minimum lease payments for the lease term, discounted using a weighted average incremental borrowing rate of 5.46%.

Lease liability on transition	**1 July 2019 $'000**
Non-cancellable operating lease commitments disclosed at 30 June 2019	104,172
Different treatment of extension options	67,760
Discounted using the Group's incremental borrowing rate at the date of initial application	(17,851)
Lease liability recognised as at 1 July 2019	**154,081**

The change in accounting policy affected the following items on the balance sheet at 1 July 2019:

	1 July 2019 $'000
Increase in assets	
Right-of-use assets	150,464
Movement in liabilities	
Lease provisions	3,617
Lease Liabilities	(154,081)
Net Impact on retained earnings	**-**

Notes to the Financial Statements (continued)

13. Other Accounting Policies (continued)

AASB 16 *Leases* (continued)

The associated right-of-use assets on transition and as at 31 December 2019 by asset class:

	1 July 2019 '$000	**31 December 2019 '$000**
Premises	107,410	105,188
Transmission sites	38,974	-
Equipment	3,050	3,332
Other	1,030	1,261
Total right-of-use assets	150,464	109,781

On 6 August 2019, the Group announced the sale of its existing transmission assets and outsoucing of transmission services to Broadcast Australia. Following the sale, all transmission site leases were derecognised as leases and the agreement with Broadcast Australia was recognised as a service agreement.

During the six months to 31 December 2019, EBITDA increased by $8,240,000 (Audio CGU $5,277,000, Television CGU $2,706,000 and Corporate $257,000) as a result of the change in accounting policy.

The Group recognised $7,649,382 of depreciation charges and $3,422,581 of interest costs in association with AASB 16 Leases.

Earnings per share decreased by 0.3c for the six months to 31 December 2019 as a result of the adoption of AASB 16.

Directors' Declaration

The directors of the Company declare that:

(a) the financial statements and notes set out on pages 4 to 17 are in accordance with the Corporations Act 2001, including:

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

(ii) giving a true and fair view of the financial position of the Group as at 31 December 2019 and the financial performance of the Group, as represented by the results of its operations, changes in equity, and cash flows, for the interim financial period ended on that date; and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors of Southern Cross Media Group Limited.

Peter Bush	Grant Blackley
Chairman	Director
Sydney, Australia	Sydney, Australia
20 February 2020	20 February 2020

Independent auditor's review report to the members of Southern Cross Media Group Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Southern Cross Media Group Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 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 Southern Cross Media Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Southern Cross Media Group Limited is not in accordance with the *Corporations Act 2001* including:

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1. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

Trevor Johnston
Partner

Melbourne
20 February 2020