APPENDIX 4E

Preliminary Final Report

Name of entity: **Southern Cross Media Group ("SCMG")**

1. Details of the reporting period

Current Period: 1 July 2009 - 30 June 2010

Previous Corresponding Period: 1 July 2008 - 30 June 2009

Annual General Meeting Date: 27 October 2010

2. Results for announcement to the market

				$A'000
2.1 Revenues from ordinary activities from continuing operations	Up	2.8%	to	406,909
2.2 Net profit/(loss) for the year from continuing operations	Up	6.8%	to	19,903
2.3 Net profit/(loss) for the period attributable to security holders	Down	2.2%	to	(82,676)

2.4 Dividends (distributions)	Amount per security	Franked amount per security
Current Period:		
Final dividend /distribution	6.2 ¢	100%
Interim dividend / distribution	3.5 ¢	Nil
Previous Corresponding Period:		
Final dividend /distribution	3.2 ¢	Nil
Interim dividend / distribution	4.5 ¢	Nil

2.5 Record date for determining entitlements to the dividend / distribution	17 September 2010

2.6 *Provide a brief explanation of any of the figures reported above necessary to enable the figures to be understood:*

Refer to attached financial report

3. Statement of Comprehensive Income with notes

Refer to attached financial report.

4. Statement of Financial Position with notes

Refer to attached financial report.

5. Statement of Cash Flows with notes

Refer to attached financial report.

6. Details of dividends/distributions

Refer to attached financial report (Directors Report and Note 6: Dividends and Distributions Paid and Proposed)

7. Details of dividend/distribution reinvestment plan

The SCMG Distribution and Dividend Reinvestment Plan ("DRP") was suspended for the year ended 30 June 2009 and remained so for the financial year ended 30 June 2010.

8. Statement of retained earnings showing movements

Refer to attached financial report.

9. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per security	(\$0.10)	(\$1.83)

** Under the listing rules NTA Backing must be determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary securities (ie, all liabilities, preference shares, outside equity interests etc).*

10. Control gained or lost over entities during the period

Control was lost over a subsidiary, American Consolidated Media ("ACM") on 30 June 2010. Further information regarding this is contained within the attached financial report (Note 5).

11. Details of associates and joint venture entities

Refer attached financial report (Note 12).

12. Other significant information

Refer attached financial report (Directors' Report).

13. Accounting standards used by foreign entities

Australian Accounting Standards.

14. Commentary on results

	Current period	Previous corresponding Period
14.1 Basic and Diluted (loss) / earnings per security for profit/(loss) from continuing operations attributable to security holders	6.18 cents	7.20 cents
Basic and Diluted (loss) / earnings per security for loss attributable to security holders	(25.67) cents	(32.64) cents
	$A'000	**$A'000**
14.2 Returns to shareholders: Distributions	34,095	15,789
Refer also attached financial report (Directors Report and Note 6: Dividends and Distributions Paid and Proposed)		

14.3 Significant features of operating performance:
Commentary on significant features of operating performance

Refer attached financial report.

15. Audit / review of accounts upon which this report is based

This report is based on accounts to which one of the following applies (*tick one*):

☑	The accounts have been audited. (refer attached financial report)	☐	The accounts have been subject to review. (refer attached financial report)
☐	The accounts are in the process of being audited or subject to review.	☐	The accounts have *not* yet been audited or reviewed.

16. Accounts not yet audited or reviewed

N/A (see above)

17. Qualification of audit / review

N/A as no qualification

SOUTHERN CROSS MEDIA GROUP

(FORMERLY KNOWN AS MACQUARIE MEDIA GROUP)

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2010

SOUTHERN CROSS MEDIA GROUP

Southern Cross Media Group (SCMG) (formerly known as Macquarie Media Group) comprises Southern Cross Media Group Limited (SCMGL) (formerly known as Macquarie Media Holdings Limited) and its respective subsidiaries.

SCMGL is a company limited by shares and incorporated and domiciled in Australia. The registered office of SCMGL is Level 2, 70 Park Street, South Melbourne, Victoria 3205, Australia.

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for year ended 30 June 2010

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Corporate Governance Statement
for year ended 30 June 2010

Corporate Governance Statement

This statement outlines Southern Cross Media Group's (or Company's) corporate governance framework and practices in the form of a report against the ASX Corporate Governance Principles and Recommendations, 2nd edition (Principles).

The Board of Southern Cross Media Group is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of shareholders, with management too recognising their responsibility in the implementation and maintenance of an effective system of corporate governance.

Southern Cross Media Group's corporate governance practices were reviewed and revised after the completion of the internalisation and corporatisation processes (as approved by security holders in Southern Cross Media Group on 18 December 2009 and finalised on 17 March 2010) which saw the company terminate Macquarie's management role with the company and simplify the corporate structure of the company from a triple stapled structure to a single holding company.

Principle 1: Lay Solid Foundations for Management and Oversight

The Board of Southern Cross Media Group is responsible for the corporate governance and internal working of the company. The Board's roles and responsibilities are formalised in a Board Charter which is available on Southern Cross Media Group's website (www.scmediagroup.com.au).

Full Board meetings are held at least every two months, with other meetings called as required. Directors are provided with Board reports in advance of Board meetings, which contain sufficient information to enable informed discussion of all agenda items.

All non-executive directors have received a letter of appointment addressing the matters recommended by the Principles.

Senior Executive Performance Evaluation

Rhys Holleran was appointed CEO after security holder approval of the internalisation and corporatisation process in December 2009 and Stephen Kelly, the CFO, was appointed in April 2010. The Nomination and Remuneration Committee will review the performance of the CEO prior to the end of 2010 and report its findings to the Board.

The performance of all executives is reviewed at least annually by their immediate supervisors. Performance is evaluated against personal, financial and corporate goals.

The Board has adopted a Senior Executive Evaluation Policy which is available on the Southern Cross Media Group website.

Corporate Governance Statement
for year ended 30 June 2010

Principle 2: Structure the Board to Add Value

Composition of Board

NAME	POSITION
Max Moore-Wilton	Non-Executive Chairman (appointed 2007)
Leon Pasternak	Deputy Chairman and Lead Independent Director (appointed 2005)
Tony Bell	Independent Director (appointed 2008)
Chris de Boer	Independent Director (appointed 2005)
Michael Carapiet	Non-Executive Director (appointed 2010)

Profiles of these directors, including details of their skills, experience and expertise are set out in the Directors' Report.

Board Independence

Company policy reflects Recommendation 2.1 of the Principles in that it requires that the majority of directors must be independent. The majority of the Board consists of independent directors.

The Board regularly determines whether directors are independent in view of their interests as disclosed to the Board. In making this determination, the Board has reference to the test for independence contained in the Principles, essentially whether a director has an interest that affects their ability to exercise unfettered and independent judgment. Directors with a range of qualifications, expertise and experience are appointed to the Board to enable it to effectively discharge its duties and to add value to the Board's deliberations.

The Chairman of Southern Cross Media Group is Max Moore-Wilton. Mr Moore-Wilton is not independent as defined by the Principles given that in the last three years he has been either a consultant or senior employee of Macquarie, which is Southern Cross Media Group's largest investor. As such, the Company has not complied with Recommendation 2.2 of the Principles. Notwithstanding this, the Board considers that Mr Moore-Wilton is the most appropriate person to lead the Board and that he is able to and does bring to the Board quality and independent judgment to all relevant issues falling within the scope of the role of chairman and that the Company as a whole benefits from his knowledge, experience and leadership.

The Board Charter requires that all future chairs must be independent.

As suggested in the commentary to the Principles, a lead independent director – Leon Pasternak who is also Deputy Chairman – has been appointed.

Nomination and Remuneration Committee

Soon after corporatisation the Board established a Nomination and Remuneration Committee. The Committee has a Board approved Charter setting out its roles and responsibilities, composition, membership requirements and operation. Committee meeting minutes are tabled at the following Board meeting.

Whilst the Committee consists of a majority of independent directors it is chaired by Max Moore-Wilton who does not satisfy the Principles' definition of independence. Mr Moore-Wilton's appointment was made for the same reasons set out above under Principle 2, 'Board Independence'.

Members of the Nomination and Remuneration Committee and their attendance at committee meetings for the 2010 financial year is set out in the Directors' Report.

The Nomination and Remuneration Committee Charter is available on the Southern Cross Media Group website.

Corporate Governance Statement
for year ended 30 June 2010

Performance Evaluation

The performance of individual directors and the Board and the committees as a whole is to be reviewed in accordance with the procedures set out in the Board Charter. With the exception of the Nomination and Remuneration Committee which was formed in early 2010 such evaluations took place in the latter part of 2009.

Independent Professional Advice

There is an agreed procedure for directors on the Board and committees to obtain independent professional advice at the company's expense. These procedures are set out in the Board, Audit and Risk Committee and Nomination and Remuneration Committee Charters.

Principle 3: Promote Ethical and Responsible Decision Making

Code of Conduct

Southern Cross Media Group's Code of Conduct sets out principles and standards which apply to all directors, employees and certain contractors and consultants. The code includes whistleblower, anti-corruption and dealing with governments policies.

The Code of Conduct is underpinned by a range of additional policies including securities trading policy, OHS policy, continuous disclosure and communications policy and privacy policy.

Securities Trading Policy

Southern Cross Media Group's Securities Trading Policy applies to directors and employees of the Company and restricts their ability to deal in the Company's securities. Trading in Southern Cross Media Group securities is not permitted during blackout periods. The blackout periods operate from 1 January until the day after half year results are released to ASX and from 1 July until the day after full year financial results are released to ASX. A blackout period also operates during the four weeks prior to the AGM until the day after the AGM. Additional blackout periods may also operate when Southern Cross Media Group is considering market sensitive transactions.

Both the Code of Conduct and Securities Trading Policy are available on the Southern Cross Media Group website.

Principle 4: Safeguard Integrity in Financial Reporting

Audit and Risk Committee

Southern Cross Media Group's Audit and Risk Committee comprises of three independent directors and complies with the requirements of the Principles. The chairman of the Board cannot chair the Audit and Risk Committee. The members of the Audit and Risk Committee and their attendance at Committee meetings is set out in the Directors' Report.

The Audit and Risk Committee Charter is available on Southern Cross Media Group's website. The Charter sets out the Committee's role, responsibilities and composition. The Committee is responsible for overseeing the structure and management systems that ensure the integrity of Southern Cross Media Group's financial reporting. Amongst other things, the Committee:

- reviews and reports to the Board on the Company's financial reports and on the external auditor's audit of the financial statements;
- recommends to the Board the appointment and removal of the external auditor, reviews the auditors terms of engagement and the scope and quality of the audit; and
- monitors auditor independence including the level of non-audit services provided, and reports its findings to the Board.

Corporate Governance Statement
for year ended 30 June 2010

The Audit and Risk Committee meets with the external auditors without management or executive directors present at least once a year and more frequently if required.

The auditor attends Southern Cross Media Group's annual general meetings and is available to answer security holder questions on the conduct of the audit, and the preparation and content of the auditor's report.

Principle 5: Make Timely and Balanced Disclosure

It is Southern Cross Media Group's policy to provide timely, open and accurate information to its investors, regulators and the wider investment community.

Southern Cross Media Group has a Communications and Disclosure Policy which is available on the Southern Cross Media Group website. The policy sets out the policies, accountabilities and procedures that govern the company's handling of information, continuous disclosure and communications to its investors and regulators. The procedures address how to identify price-sensitive information, which includes referral to the CEO and company secretary/general counsel for a determination as to whether disclosure is required and a management sign-off process to ensure that ASX releases are accurate and complete.

The ASX liaison person is the Southern Cross Media Group company secretary.

Principle 6: Respect the Rights of Shareholders

Southern Cross Media Group's Communications and Disclosure Policy promotes a high standard of effective and accessible communication with investors.

Communication with investors occurs via ASX announcements, the annual report and half-yearly update, investor roadshows and briefings.

All information disclosed to the ASX is posted in the Southern Cross Media Group's website.

Investors are encouraged to attend the AGM which will be held in October 2010. Presentations by the Chairman and CEO at the AGM are webcast.

For formal meetings an explanatory memorandum on the resolutions is included with the notice of meeting. In the event that investors cannot attend formal meetings they are able to lodge proxy forms by post or fax.

Principle 7: Recognise and Manage Risk

The Board is responsible for overseeing the Company's systems of internal control and risk management. The Board has adopted a Risk Management Policy which is available from Southern Cross Media Group's website. The policy addresses the overseeing by the Board the management of key business risks relevant to the Company.

The Audit and Risk Committee assists the Board in overseeing the risk management framework and any matters of significance affecting the Company's financial reporting and internal controls.

Key business risk categories that are addressed by the policy include investment, reputation, regulatory and compliance, legal, operational, environmental and social responsibilities, occupational health and safety and strategic risks.

The Company's senior management team has responsibility for the day-to-day implementation of the risk management framework and internal controls within the Company. Management also reports regularly to the Board through the CEO on the Company's key risks and the extent to which it believes these risks are being adequately managed.

The Company has not implemented an internal audit function. The Board believes that the nature of the Company's operations currently does not require this to be instigated as a separate function to those functions undertaken by the external auditors or the Audit and Risk Committee.

Corporate Governance Statement
for year ended 30 June 2010

Assurance

In accordance with section 295A of the Corporations Act 2001, the CEO and CFO have declared in writing to the Board that in their view the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating effectively in all material respects.

Principle 8: Remunerate Fairly and Responsibly

Nomination and Remuneration Committee

The Company has established a Nomination and Remuneration Committee. The Committee is governed by a Board approved Charter which is available on the Southern Cross Media Group website.

Members of the Committee along with details of the number of meetings attended by those members during the year are set out in the Directors' Report.

The Committee reviews the remuneration packages and employment conditions applicable to senior executives and any executive directors. In making these determinations, regard is had to comparable industry or professional salary levels and to the specific performance of the individuals concerned. The Company clearly distinguishes the structure of non-executive directors' remuneration (paid in the form of a fixed fee) and that of any executive director and senior executives.

The remuneration of managers and staff other than senior executives is within the authority of the CEO. The CEO has discretion in regard to the remuneration of individual managers subject to the requirement that the overall level of remuneration is within budget guidelines as approved by the Board prior to preparation of the annual budget.

Further detail on the Company's remuneration practices and remuneration received by directors and senior executives and management during the year is set out in the Remuneration Report, which comprises part of the Directors' Report.

Directors' Report
for year ended 30 June 2010

Directors' Report

The directors of Southern Cross Media Group Limited ("SCMGL" or the "Company" or the "Parent Entity") submit the following report for Southern Cross Media Group, being Southern Cross Media Group Limited and its subsidiaries ("SCMG" or "the Group"), for the year ended 30 June 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The following persons were directors of SCMGL during the whole of the year, unless otherwise stated, and up to the date of this report:

— Max Moore-Wilton (Chairman)
— Leon Pasternak
— Chris de Boer
— Tony Bell
— Michael Carapiet (Alternate to Max Moore-Wilton until 10 March 2010) (Appointed as a Director on 10 March 2010)
— John Roberts (Alternate to Max Moore-Wilton) (Resigned on 10 March 2010)

Principal Activities

The principal activities of SCMG during the course of the financial year were the broadcasting of regional free to air commercial TV and radio stations across Australia, advertising sales on TV and radio and management of online radio content. Publishing community newspapers within the United States of America (USA) was also a principal activity of the business until the sale of American Consolidated Media LLC (ACM) in June 2010.

There were no changes in the nature of the Group during the year other than the matters set out below.

Review and Results of Operations

The consolidated loss after tax for the financial year was $82.7 million (2009: loss of $84.6 million). This loss comprises a profit after tax from the continuing Southern Cross Media businesses of $19.9 million (2009: $18.6 million) which has been offset by a loss from the discontinued American Consolidated Media operations of $102.6 million (2009: $103.2 million). Each of these businesses have been discussed in further detail below.

On 28 October 2009 SCMG (then Macquarie Media Group) announced a series of initiatives intended to enhance security holder value, optimise the capital and corporate structure of SCMG and reposition the business for the future. The initiatives included a recapitalisation of SCMG (the "Recapitalisation"), a proposal to internalise management (the "Internalisation") and a proposal to simplify the corporate structure of SCMG by converting from a triple stapled structure into a single holding company (the "Corporatisation").

Recapitalisation

On 2 December 2009 SCMG completed a $294 million capital raising. The raising completed with an overall acceptance rate of 83% and at a clearing price of $1.65 per new stapled security, representing a premium of 10 cents per new security on the offer price of $1.55 per stapled security.

The net proceeds of the capital raising, together with the majority of corporate level cash were applied to reduce debt outstanding under Southern Cross Media Australia Pty Ltd's (SCM) business level bank facility (the "SCM Facility") from $872.5 million to $337.5 million on 3 December 2009.

Internalisation

On 17 December 2009 SCMG security holders voted overwhelmingly in favour of the Internalisation, which was completed on 10 March 2010 following the financial close of the new SCM facility agreement. On finalisation of the Internalisation, SCMG paid Macquarie $40.5 million in consideration for the termination of the management arrangement with Macquarie Media Management Limited as well as for the provision of transitional services to SCMG.

Corporatisation

On 17 December 2009 SCMG security holders voted overwhelmingly in favour of the Corporatisation and various changes of name for the entities within the Group (to remove references to Macquarie) and "Macquarie Media Group" became known as "Southern Cross Media Group".

On 18 March 2010, SCMG completed the Corporatisation, simplifying its corporate structure by converting from a triple stapled structure to a single holding company, SCMGL. All former SCMG stapled security holders held the same number of SCMGL shares as the number of stapled securities they held prior to the Corporatisation.

The benefits of the Corporatisation include creating a simplified structure that is expected to have greater appeal to a broader range of investors, to allow for unification under one board of directors and to provide for a simpler governance structure and simpler financial reporting requirements. All future dividends will be paid out of SCMGL.

Southern Cross Media Australia ("SCM") (formerly Macquarie Southern Cross Media)

The regional Australian radio and television business remains the cornerstone of the Groups' operations and for the 12 months ended 30 June 2010 produced Revenue from operations growth of 2.8% due to much stronger activity in the second half of the year. EBITDA margins regained lost ground from the first half and finished at 33.2% for the full year.

Revenues from TV advertising continued to grow strongly, particularly in the last quarter of the year as stronger audiences from improved Southern Cross Ten ratings and an improved television advertising market have resulted in TV revenues rising 6.5% year on year.

Regional radio suffered revenue declines in the first half due to the subdued retail environment in regional economies. Despite the 5.1% decline in revenues in the first half, the radio business regained some lost ground and finished the year 1.3% down year on year.

The impact of previous years' work on integrating operations and continuing efforts on more effective cost management has resulted in stronger margins being realised from SCM. Despite a difficult first half for both media outlets and a steady but slower recovery in radio in the second half, the operating model produced a 12.2% year on year improvement in EBITDA margin before corporate costs.

As discussed further above, the net proceeds from the capital raising were utilised to pay down SCM debt. Following this pay down, SCM entered into a new agreement on 10 March 2010 with a consortium of banks for a refinanced facility of $375 million, which matures on 10 March 2014. The total SCM Facility at 30 June 2010 is $375.0 million (30 June 2009: $1,011.0 million) of which $300.0 million (2009: $872.5 million) has been utilised.

American Consolidated Media ("ACM")

ACM contributed a loss after tax of $102.6 million at 30 June 2010 (2009: $103.2 million). The current year loss comprises an operating loss after tax of $177.8 million (2009: $103.2 million) which has been partially offset by a gain on deconsolidation of $75.2 million (2009: nil). Due to the deconsolidation in the current year the current and prior year results of ACM have been disclosed as discontinued operations.

Included the in operating loss is an impairment charge of $170.6 million (2009: $138.9 million) which was recognised to reduce the non-current assets of the ACM business to their estimated recoverable amounts at 31 December 2009. The impairment charge arose as a result of the continued unfavourable economic environment impacting the trading performance of the business as well as a reduction in earnings multiple received in sale transactions for comparable businesses.

Directors' Report
for year ended 30 June 2010

Due to breaches of lending covenants under the ACM banking facility, on 20 November 2009 ACM entered into a forbearance agreement with its lenders. The forbearance agreement did not constitute a waiver of the breaches but the lenders agreed not to exercise their rights until 29 January 2010 which was further extended to 29 March 2010.

Further to the forbearance agreement, as announced on 30 June 2010 a restructuring agreement was struck with lenders which resulted in ACM lenders acquiring 90% ownership of ACM and the release of SCMG from all claims attached the ACM facility. SCMG have retained a 10% non-voting interest in ACM however consistent with previous practice did not provide any guarantees or security in favour of ACM or its lenders. As a result of this agreement effective 28 June 2010 ACM ceased to be controlled and therefore consolidated by SCMG.

Distributions and Dividends

Type	Cents per share	Total Amount $'000	Date of Payment	Entity
Interim 2009 Ordinary	4.5	9,672	17 February 2009	MMT
Final 2009 Ordinary	3.2	6,117	20 August 2009	MMT
Interim 2010 Ordinary	3.5	13,259	17 February 2010	SCMT

Since the end of the financial year the directors have recommended the payment of a final ordinary dividend of $23.5 million (6.2 cents per fully paid share). This dividend will be paid on 8 October 2010 by SCMGL.

Significant Changes in State of Affairs

Significant changes in the state of affairs of SCMG during the financial year ended 30 June 2010 have been disclosed above.

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

Events Occurring After Balance Date

No other matters or circumstances have arisen since the end of the year that have significantly affected or may significantly affect the operations of SCMG, the results of these operations in future financial years or the state of affairs of SCMG in periods subsequent to the year ended 30 June 2010.

Likely Developments and Expected Results of Operations

Further information on likely developments relating to the operations of the Group in future years and the expected results of those operations have not been included in this report because the directors of SCMGL believe it would be likely to result in unreasonable prejudice to the commercial interests of the Group.

Indemnification and Insurance of Officers and Auditors

During the year SCMGL paid a premium to insure its officers. So long as the officers of SCMGL act in accordance with the Constitution and the law, the officers remain indemnified out of the assets of SCMGL and the Group against any losses incurred while acting on behalf of SCMGL and the Group. The auditors of the Group are in no way indemnified out of the assets of the Group.

Environmental Regulation

The operations of SCMG are not subject to any significant environmental regulations under Australian Commonwealth, State or Territory law. The directors are not aware of any breaches of any environmental regulations.

Directors' Report
for year ended 30 June 2010

Information on Directors

Chairman **Max Moore-Wilton**	*Age 67, Appointed 27 February 2007* Max Moore-Wilton is the chairman of the Board and also chairman of the Remuneration and Nomination Committee. Prior to his appointment Max has had a distinguished career in both the private and public sectors and was secretary to the Department of Prime Minister and Cabinet from May 1996 to December 2002 where he oversaw fundamental reform of the Commonwealth Public Service. *Other Current Directorships* Max currently serves as chairman of the boards of the following listed companies: • MAp Airports Limited • Southern Cross Airports Corporation Holdings Limited *Former Directorships in the last 3 years* Max has not ceased any listed company directorships in the last 3 years.
Independent Director **Leon Pasternak**	*Age 55, Appointed 26 September 2005* Leon Pasternak is the deputy chairman of the Board and is a committee member of the Remuneration and Nomination and Audit and Risk Committees. Until July 2010 Leon was a senior partner at law firm Freehills specialising in mergers and acquisitions, public offerings and corporate reorganisations. Leon has since assumed the role of vice chairman and managing director of mergers and acquisitions at investment bank Merrill Lynch. *Other Current Directorships* Leon has no other current directorships in listed companies. *Former Directorships in the last 3 years* Leon has not ceased any listed company directorships in the last 3 years.
Independent Director **Chris de Boer**	*Age 65, Appointed 20 September 2005* Chris de Boer has had various careers in investment banking, business consulting, stockbroking and direct investment and through them gained experience in initial public offerings, mergers and acquisitions, corporate reorganisations, joint ventures, bond issues and financial advice across London, Hong Kong, Australia and New Zealand, in both domestic and cross-border deals. Chris also has extensive experience in takeover regulation. Chris spent more than two years as an executive at the Takeover Panel in London, three years on the Takeovers Committee in Hong Kong and four years as chairman of the Takeovers Panel in Hong Kong. Chris is chairman of the Audit and Risk Committee and member of the Remuneration and Nomination Committee. *Other Current Directorships* Chris has no other current directorships in listed companies. *Former Directorships in the last 3 years* Chris has not ceased any listed company directorships in the last 3 years.
Independent Director **Tony Bell**	*Age 56, Appointed 2 April 2008* Tony Bell is one of Australia's most distinguished media operators with over 30 years experience in the Australian radio and free-to-air television industry. As managing director of Southern Cross Broadcasting (Australia) Limited from 1993 to 2007 Tony gained extensive experience in regional and metropolitan media and was instrumental in its formation as one of Australia's leading media companies. Tony is a member of the company's Remuneration and Nomination and Audit and Risk Committees. *Other Current Directorships* Tony has no other current directorships in listed companies. *Former Directorships in the last 3 years* Tony ceased being a listed company director of Southern Cross Broadcasting (Australia) Limited within the last 3 years.

Directors' Report
for year ended 30 June 2010

Alternate to Max Moore-Wilton

Michael Carapiet

Age 51, Appointed 10 March 2010. Previously appointed Alternate Director on 11 April 2008 and resigned on 10 March 2010.

Michael is the head of Macquarie Capital which is Australia's largest investment advisory services business. Macquarie Capital has developed a global leadership position in a number of businesses, including mergers and acquisitions, advisory, equity capital markets and specialised asset management.

Other Current Directorships

Michael has no other current directorships in listed companies.

Former Directorships in the last 3 years

Michael has not ceased any listed company directorships in the last 3 years.

Alternate to Max Moore-Wilton

John Roberts

Age 51, Appointed 27 February 2007 and resigned 10 March 2010

John is joint head of the Macquarie Capital Advisers division and responsible for the Macquarie Capital Funds group. The Macquarie Capital Funds group manages third party institutional and retail listed and unlisted equity, invested across a broad range of asset classes including infrastructure, private equity, real estate and media.

Company Secretaries

Christine Williams, MA, LLB

Appointed 6 September 2005 and resigned 14 April 2010

Christine is a qualified solicitor and has worked in the banking industry for more than 25 years, including 16 years in funds management, performing a general counsel/company secretarial role for listed and wholesale investment vehicles.

Sally Webb, BA, LLB (Hons), FFin

Appointed 22 September 2005 and resigned 27 October 2009

Sally is a qualified solicitor with more than 13 year's experience. In private practice she worked in the mergers and acquisitions, capital markets and funds management areas. Since joining the Macquarie Group in 2002 Sally was responsible for the legal and company secretarial function of a number of listed and wholesale infrastructure funds managed by Macquarie Capital.

Louise Bolger, BA, LLB (Hons)

Appointed 14 April 2010

Louise is a qualified solicitor with more than 10 year's experience, commencing her career in private practice before continuing on to in-house roles with Telstra, Logica, Bank of Queensland and most recently PIPE Networks Limited prior to its acquisition by TPG Telecom Limited where she was both general counsel and company secretary.

Meetings of Directors

The number of meetings of the board of directors and of other committee meetings held during the year ended 30 June 2010, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees: Audit		Nomination & Remuneration		Independent Board Committee	
	A	B	A	B	A	B	A	B
Director								
Max Moore-Wilton (Chairman)	13	13	*	*	1	1	*	*
Leon Pasternak	12	13	4	4	0	1	8	9
Chris de Boer	12	13	3	4	1	1	9	9
Tony Bell	11	13	3	4	1	1	7	9
Michael Carapiet (alternate to Max Moore-Wilton)	9	13	*	*	*	*	*	*
John Roberts (alternate to Max Moore-Wilton)	5	10	*	*	*	*	*	*

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

* = Not a member of the relevant committee

Directors' Report
for year ended 30 June 2010

Remuneration Report

Contents

1. Introduction

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

The Group discloses details of senior executive remuneration from 10 March 2010, the date on which SCMG ceased to be Macquarie managed and the senior executives became directly employed by SCMG. Prior to this date, SCMG's senior executives were employed and remunerated by controlled entities of Macquarie Group Limited ("Macquarie") which, in return, received base management and potentially performance fees in return.

2. Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders and conforms with market practice for delivery of reward. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management.

In consultation with external remuneration consultants, the Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay and a blend of short- and long-term incentives. As executives gain seniority with the Group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

The board has established a remuneration committee which makes recommendations to the board on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Directors' Report
for year ended 30 June 2010

2. Principles used to determine the nature and amount of remuneration (continued)

2.1 Non-executive directors fees

Fees and payments to non-executive directors reflect the demands which are made on and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the board. The board has also considered the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chair's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chair is not present at any discussions relating to determination of his own remuneration. Non-executive directors do not receive performance-based pay and are not entitled to SCMG shares or to retirement benefits as part of their remuneration package.

The director's fees were reviewed with effect from 1 April 2010. The Chair's remuneration is inclusive of committee fees while other non-executive directors who chair, or are a member of, a committee receive additional yearly fees.

The following non-executive director's fees have applied in the year ended 30 June 2010 for SCMGL:

	From 1 April 2010	From 1 July 2009 to 31 March 2010	From 1 July 2009 to 31 March 2010
	Annual Fees	Annual Fees	IBC Fees*
	$	$	$
Base fees			
Chair	220,000	47,500	-
Other non-executive directors	110,000	42,500	-
Additional fees			
Audit Committee – Chair	21,000	-	-
Audit Committee – member	14,000	-	-
Remuneration Committee - member	10,000	-	-
IBC fees	-	-	210,938*

* The Independent Board Committee ("IBC") fees were paid in relation to the internalisation of SCMG's management arrangements (the "Internalisation") and were approved by security holders at the Internalisation meeting on 17 December 2009.

2.2 Executive pay

The executive pay and reward framework currently has the following components:

- base pay and benefits, including superannuation and
- short-term and long-term performance incentives

Base pay and benefits

Base pay is structured as a total employment package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. As part of this review process, external remuneration consultants are engaged from time to time to provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. An executive's pay is also reviewed on promotion.

Superannuation

The Group operates a defined benefit retirement scheme and a defined contribution retirement benefit scheme. The defined benefit scheme is closed to new members.

2. Principles used to determine the nature and amount of remuneration (continued)

2.2 Executive pay (continued)

Performance linked remuneration currently comprises short-term and long-term incentives.

Short-term incentives

The short-term incentive (STI) is an 'at risk' bonus provided in the form of cash and is designed to reward senior executives for meeting or exceeding mainly financial objectives.

Each year the Nomination and Remuneration Committee sets the Key Performance Indicators (KPIs) for executives, which are designed to directly align the individual's reward to the KPIs of the Group and to its strategy and performance.

The financial KPIs are based on earnings before interest, tax, depreciation and amortisation (EBITDA) compared with both budgeted and prior year amounts. The relevant EBITDA for the assessment of KPIs is that of the continuing business, Southern Cross Media.

At the end of the financial year the Nominations and Remuneration Committee assesses the actual performance of the Group and the individual against the KPIs and recommends the quantum of the short-term cash incentive bonus to be paid to the individuals for approval by the Board. These assessment methods have been chosen as they provide the Committee with an objective assessment of each individual's performance.

Long-term incentives

The long-term incentive (LTI) is an 'at risk' bonus provided in the form of shares and is designed to reward senior executives for meeting or exceeding Total Shareholder Return (TSR) performance over a three to four year period.

In June 2010 the Board approved the introduction of an executive long-term incentive plan, to commence on 1 July 2010, which provided for the CEO and senior executives to receive grants of performance rights over ordinary shares, for nil consideration. The rights are exercisable subject to a four year performance period (three years for Mr S. Kelly, CFO SCMG), and the satisfaction of set performance criteria during the period. The performance criteria takes into account share price appreciation plus reinvested dividends, expressed as a percentage of investment and adjusted for changes in the Company's capital structure. In order for performance rights to vest and convert to shares, the Company's TSR over the performance period must be at or above the 51^{st} percentile against a comparative group of selected media and related listed companies. Between the 51^{st} and 75^{th} percentile, performance rights will vest on a linear basis from 50% of award to 100% of award, consequently 100% of performance rights will vest at the 75^{th} percentile or higher.

All performance rights vest progressively over the four year performance period with $1/3^{rd}$ vesting at year 2, $1/3^{rd}$ at year 3 and $1/3^{rd}$ at year 4, except for Mr S. Kelly (CFO SCMG) whose performance rights vest $1/3^{rd}$ at year 1, $1/3^{rd}$ at year 2 and $1/3^{rd}$ at year 3 subject to performance criteria being met.

Directors' Report
for year ended 30 June 2010

Remuneration and Company Performance

A key objective of the executive remuneration policy is to link an increased proportion of executive remuneration to the performance of the Company, with an emphasis on the creation of sustainable value for shareholders. Financial performance from continuing operations for the past five years is indicated by the following table:

	30 June 2010 $'000	30 June 2009 $'000	30 June 2008 $'000	30 June 2007 $'000	30 June 2006 $'000
Sales Revenue	404,673	393,483	427,301	167,001	178,472
Net profit before tax	24,185	(15,724)	23,245	(322)	23,304
Net profit after tax	19,903	18,640	19,732	(1,924)	14,005
	30 June 2010	30 June 2009	30 June 2008	30 June 2007	30 June 2006
Opening share price	$1.32	$2.95	$4.85	-	-
Closing share price	$1.64	$1.32	$2.95	$4.85	-
Dividend/Distribution	9.7c	7.7c	47.0c	45.5c	14.5c

Directors' Report
for year ended 30 June 2010

3. Details of remuneration

Details of the remuneration of Key Management Personnel of the Group and the five highest paid executives of SCMG are set out in the following tables.

Key Management Personnel

Directors

- Max Moore-Wilton (Chairman)
- Leon Pasternak
- Chris de Boer
- Tony Bell
- Michael Carapiet (Alternate to Max Moore-Wilton until 10 March 2010) (Appointed as a Director on 10 March 2010)
- John Roberts (Alternate to Max Moore-Wilton) (Resigned on 10 March 2010)

Executives and five highest paid

- Rhys Holleran (CEO – SCMG) (transferred to Group 1 April 2010)
- Stephen Kelly (CFO – SCMG) (appointed 21 April 2010)
- Kym Gallagher (CFO – SCM) (transferred to Group 1 April 2010)
- Greg Dodgson (COO – SCM)
- Jeremy Simpson (Group National Sales Director – SCM)

Key management personnel remuneration - 2010

	Short term employee benefits			Post-employment benefits			Proportion of performance related remuneration
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super contribution $	Other long term benefits[3] $	Total $	
Non-executive directors							
Max Moore-Wilton (Chair)	84,068	-	-	6,557	-	90,625	0.0%
Leon Pasternak	175,740	-	-	8,135	-	183,875	0.0%
Chris de Boer	131,220	-	-	8,280	-	139,500	0.0%
Tony Bell	85,438	-	-	-	-	85,438	0.0%
Sub-total non-executive directors[1]	476,466	-	-	22,972	-	499,438	
Executives							
Rhys Holleran[2]	110,925	800,448[2]	10,524	6,250	(3,654)	924,493	86.6%[2]
Stephen Kelly (commenced 21 April 2010)	74,038	90,000	-	3,615	(3,228)	164,425	54.7%
Kym Gallagher[2]	90,059	302,812[2]	11,506	6,250	5,974	416,601	72.7%[2]
Greg Dodgson	242,032	152,145	30,611	37,908	(8,797)	453,899	33.5%
Jeremy Simpson	249,013	111,513	-	15,375	9,335	385,236	28.9%
Sub-total executives	766,067	1,456,918	52,641	69,398	(370)	2,344,654	
Total	1,242,533	1,456,918	52,641	92,370	(370)	2,844,092	

[1] Included in non-executive directors fees are $210,938 of Independent Board Committee fees.

[2] Direct employment by SCMG commenced on 1 April 2010, prior to that date, the executive was employed and remunerated by Macquarie. Cash bonuses determined with reference to fiscal year 2010 EBITDA have been paid in relation to the full year ended 30 June 2010 based on agreements with Macquarie. Details of executive remuneration arrangements from 1 July 2010 are set out below.

[3] Amounts represent movements in employee leave entitlements with a negative balance representing an overall reduction in the employee leave provision balance compared with prior year.

Remuneration Report (continued)

3. Details of remuneration (continued)

Key management personnel remuneration - 2009

	Short term employee benefits	Post-employment benefits	
Name	Cash salary and fees $	Super contribution* $	Total $
Non-executive directors			
Max Moore-Wilton (Chair)	21,789	1,961	23,750
Leon Pasternak	-	42,500	42,500
Chris de Boer	38,991	3,509	42,500
Tony Bell	48,500	-	48,500
Michael Carapiet	-	-	-
John Roberts	-	-	-
Sub-total non-executive directors	109,280	47,970	157,250

* Superannuation benefits of $47,970 are provided through a defined contribution superannuation plan. The amounts disclosed as remuneration represent each person's share of the current service.

Note that no remuneration was incurred by SCMG for the other key management personnel and the Group executives in the year ended 30 June 2009.

4. Service agreements

On appointment to the board, all non-executive directors enter into a service agreement with the Group in the form of a letter of appointment. The letter summarises the board policies and terms, including compensation, relevant to the office of director.

Remuneration and other terms of employment for the chief executive officer and the other executives are also formalised in service agreements. Each of these agreements' provide for the provision of base remuneration, performance-related cash bonuses and other non-monetary benefits with the key terms outlined below.

Name	Type of agreement	Base salary including superannuation* $'000	STI (max)	LTI Value	Termination notice period
Rhys Holleran (CEO - SCMG)	Permanent	700	300	350[1]	12 mths SCMG/ 6 mths employee
Stephen Kelly (CFO - SCMG)	Permanent	400	200	200[2]	6 mths either party
Kym Gallagher (CFO - SCM)	Permanent	402	300	50[1]	6 mths SCMG/ 3 mths employee
Greg Dodgson (COO – SCM)	Permanent	268	70	70[1]	3 mths either party
Jeremy Simpson (Group National Sales Director – SCM)	Permanent	286	90	80[1]	3 mths either party

* Base salaries quoted are for the year ended 30 June 2011; they are reviewed annually.
[1] This represents the total LTI value for 30 June 2011 which will vest over a four year period.
[2] This represents the total LTI value for 30 June 2011 which will vest over a three year period.

Directors' Report
for year ended 30 June 2010

Remuneration Report (continued)

5. Other remuneration information

Loans to directors and executives

There were no loans to directors and executives.

Share options granted to directors and executives

No options over unissued ordinary shares of SCMGL exist nor were granted to directors or executives at 30 June 2010 (2009: nil).

Directors' holdings of shares

The aggregate number of SCMG shares held directly, indirectly or beneficially by directors of SCMGL or their director-related entities at the date of this financial report are:

	2010	2009
Max Moore-Wilton	1,000,000	688,517
Leon Pasternak	519,193	359,849
Chris de Boer	80,000	40,000
Tony Bell	140,000	70,000
Michael Carapiet	618,100	309,050
John Roberts (as Alternate)	n/a	500,000
Macquarie Group Limited and controlled entities	93,541,136	45,413,453
	95,898,429	47,380,869

Directors' Report
for year ended 30 June 2010

Non-Audit Services

SCMGL and SCMG may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the Group are important. Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are detailed in Note 3 to the financial statements.

The board of directors has considered the position and, in accordance with the advice received from the Audit Committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

— all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and

— none of the services undermine the general principles relating to auditor independence as set out in APES 110: *Code of Ethics for Professional Accountants*, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Rounding of Amounts in the Directors' Report and the Financial Report

SCMG and SCMGL are of a kind referred to in Class Order 98/100, as amended by Class Order 04/667 and Class Order 05/641, issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise indicated.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration, as required under s307C of the *Corporations Act 2001*, is set out on page 19.

This report is signed in accordance with resolutions of the directors of Southern Cross Media Group Limited.

Max Moore-Wilton	Chris de Boer
Chairman	Director
Southern Cross Media Group Limited	Southern Cross Media Group Limited
Sydney, Australia	Sydney, Australia
30 August 2010	30 August 2010

PricewaterhouseCoopers
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Auditor's Independence Declaration

As lead auditor for the audit of Southern Cross Media Group Limited (formerly known as Macquarie Media Holdings Limited) for the year ended 30 June 2010, 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 audit; and

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

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

Wayne Andrews

Wayne Andrews

Partner
PricewaterhouseCoopers

Sydney
30 August 2010

Financial Report
for year ended 30 June 2010

Statement of Comprehensive Income

	Note	Consolidated SCMG 1 Jul 09 - 30 Jun 10 $'000	Consolidated SCMG 1 Jul 08 - 30 Jun 09 $'000
Revenue from continuing operations	2	406,909	395,713
Broadcast and production costs		(104,273)	(101,970)
Employee expenses		(94,267)	(95,728)
Selling costs		(23,951)	(22,804)
Occupancy costs		(16,321)	(15,639)
Promotions and marketing		(5,984)	(6,899)
Management fee expense	2	(4,578)	(1,332)
Administration costs		(36,242)	(35,734)
Other expenses from ordinary activities		-	(922)
Termination payment for internalisation	31	(40,540)	-
Share of net profits of investments accounted for using the equity method		1,623	1,143
Profit before depreciation, amortisation, interest, fair value movements on financial derivatives and income tax expense from continuing operations		**82,376**	**115,828**
Depreciation and amortisation expense	2	(21,785)	(20,100)
Interest expense	2	(61,906)	(85,462)
Interest revenue	2	8,111	20,242
Other Income - Fair value gains on financial derivatives – interest rate swaps	2	17,389	-
Fair value losses on financial derivatives – interest rate and foreign currency swaps	2	-	(46,232)
Profit / (Loss) before income tax expense from continuing operations		**24,185**	**(15,724)**
Income tax (expense) / benefit from continuing operations	4	(4,282)	34,364
Profit from continuing operations after income tax for the year		19,903	18,640
Loss from discontinued operations	5	(102,579)	(103,208)
Loss for the year attributable to SCMGL shareholders / stapled security holders		(82,676)	(84,568)
Other comprehensive (loss) / income			
Exchange differences on translation of foreign operations		1,347	8,679
Actuarial gain on retirement benefits plan		-	481
Other comprehensive (loss) / income for the year, net of tax		1,347	9,160
Total comprehensive loss for the year attributable to SCMGL shareholders / stapled security holders		(81,329)	(75,408)
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of SCMGL / stapled security holders:			
Basic earnings per share	27	6.18c	7.20c
Diluted earnings per share	27	6.18c	7.20c
Loss per share for profit attributable to the ordinary equity holders of SCMGL / stapled security holders:			
Basic loss per share	27	(25.67)c	(32.64)c
Diluted loss per share	27	(25.67)c	(32.64)c

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

Financial Report
as at 30 June 2010

Statement of Financial Position

	Note	Consolidated SCMG 30 Jun 10 $'000	Consolidated SCMG 30 Jun 09 $'000
Current assets			
Cash and cash equivalents	7	38,116	347,070
Receivables	8	84,328	94,247
Inventories	9	-	2,355
Total current assets		**122,444**	**443,672**
Non-current assets			
Receivables	11	477	1,347
Investments accounted for using the equity method	12	29,643	29,503
Property, plant and equipment	13	147,933	183,854
Intangible assets	14	1,064,768	1,317,009
Deferred tax assets	15	30,566	34,786
Total non-current assets		**1,273,387**	**1,566,499**
Total assets		**1,395,831**	**2,010,171**
Current liabilities			
Distribution payable	17	-	6,117
Payables	18	56,188	66,451
Provisions	19	10,180	10,028
Borrowings	20	281	174,405
Current tax liabilities		-	163
Derivative financial instruments	10	1,228	31,417
Total current liabilities		**67,877**	**288,581**
Non-current liabilities			
Provisions	21	3,692	3,766
Borrowings	20	287,544	852,733
Deferred tax liabilities	22	-	15,744
Retirement benefit obligations	23	165	206
Derivative financial instruments	10	4,164	6,018
Total non-current liabilities		**295,565**	**878,467**
Total liabilities		**363,442**	**1,167,048**
Net assets/(liabilities)		**1,032,389**	**843,123**
Equity			
Contributed equity	24	1,225,400	941,415
Reserves	25 (a)	(339)	(100,642)
Other equity transaction	25 (b)	(77,406)	(77,406)
(Accumulated losses) / retained profits	26	(115,564)	79,458
Equity attributable to equity holders of SCMGL		1,032,091	842,825
Non-controlling interest		298	298
Total equity		**1,032,389**	**843,123**

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

Statement of Changes in Equity

SCMG	Contributed equity $'000	Reserves $'000	Other equity transactions $'000	Retained earnings $'000	Total $'000	Non-controlling Interest $'000	Total equity $'000
Total equity at 1 July 2008	971,244	(46,470)	(77,406)	118,130	965,498	298	965,796
Loss for the financial year	-	-	-	(84,568)	(84,568)	-	(84,568)
Exchange differences on translation of foreign operations	-	8,679	-	-	8,679	-	8,679
Retirement benefit reserve	-	481	-	-	481	-	481
Total comprehensive (loss)/income	-	9,160	-	(84,568)	(75,408)	-	(75,408)
Transactions with equity holders in their capacity as equity holders:							
Employee share entitlement	1,738	(1,647)	-	-	91	-	91
Distributions provided or paid	-	-	-	(15,789)	(15,789)	-	(15,789)
Transfer to/from capital reserves	-	(61,685)	-	61,685	-	-	-
Buy backs	(30,494)	-	-	-	(30,494)	-	(30,494)
Cost of raising capital/buy backs	(1,073)	-	-	-	(1,073)	-	(1,073)
Total equity at 1 July 2009	941,415	(100,642)	(77,406)	79,458	842,825	298	843,123
Loss for the financial year	-	-	-	(82,676)	(82,676)	-	(82,676)
Exchange differences on translation of foreign operations	-	1,347	-	-	1,347	-	1,347
Total comprehensive (loss) /income	-	1,347	-	(82,676)	(81,329)	-	(81,329)
Transactions with equity holders in their capacity as equity holders:							
Employee share entitlements	37	(131)	-	-	(94)	-	(94)
Buy backs	(2,205)	-	-	-	(2,205)	-	(2,205)
Capital raising	293,584	-	-	-	293,584	-	293,584
Cost of raising capital/buy backs	(7,431)	-	-	-	(7,431)	-	(7,431)
Distributions provided for or paid	-	-	-	(13,259)	(13,259)	-	(13,259)
Transfer (to)/from capital reserve	-	99,087	-	(99,087)	-	-	-
	283,985	98,956	-	(112,346)	270,595	-	270,595
Total equity at 30 June 2010	1,225,400	(339)	(77,406)	(115,564)	1,032,091	298	1,032,389

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

Financial Report
for year ended 30 June 2010

Statement of Cash Flows

	Note	Consolidated SCMG 1 Jul 09 - 30 Jun 10 $'000	Consolidated SCMG 1 Jul 08 - 30 Jun 09 $'000
Cash flows from operating activities			
Receipts from customers		537,846	618,794
Payments to suppliers / employees		(403,134)	(476,109)
Government grants received		2,236	2,230
Responsible entity / Manager base fees paid		(4,578)	(2,513)
Termination fees paid		(40,540)	-
Interest received from external parties		8,156	22,224
Dividends received from associates		1,850	1,000
Tax paid		(443)	(129)
Net cash flows from operating activities	**28**	**101,393**	**165,497**
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(10,967)	(23,487)
Payments for purchase of intangibles		(18)	(1,279)
Proceeds from sale of property, plant and equipment		1,080	522
Proceeds from sale/return of capital of other financial assets		-	43
Payments for purchase of investments		(367)	(1,268)
Net cash outflow on loss of control of subsidiary		(6,058)	-
Net cash flows used in investing activities		**(16,330)**	**(25,469)**
Cash flows from financing activities			
Distributions paid to security holders		(19,376)	(57,924)
Borrowings from external parties		-	31,500
Repayment of borrowings from external parties		(572,500)	(99,567)
Payments on / proceeds from settlement of derivative financial instruments		(8,989)	(2,050)
Payments for buy-back / proceeds from capital raising		291,379	(30,494)
Buy-back / capital raising costs		(7,431)	(710)
Interest paid to external parties		(77,054)	(90,776)
Movement in finance lease liabilities		(30)	(85)
Net cash flows used in financing activities		**(394,001)**	**(250,106)**
Net increase/(decrease) in cash and cash equivalents		(308,938)	(110,078)
Cash assets at the beginning of the year		347,070	453,758
Exchange rate movements		(16)	3,390
Cash assets at the end of the year	**7**	**38,116**	**347,070**

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

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Southern Cross Media Group Limited ("SCMGL" or the "Company") and its subsidiaries ("the Group").

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001* (where applicable).

On 18 March 2010, the corporatisation transaction was completed which resulted in a simplification of the corporate structure from a triple stapled structure to a single holding company structure. Prior to this date, the consolidated financial statements of Southern Cross Media Group (formerly Macquarie Media Group) consisted of Southern Cross Media Trust (formerly Macquarie Media Trust) and the entities it controlled, including both Southern Cross Media Group Limited (formerly Macquarie Media Holdings Limited) and the entities it controlled and Southern Cross Media International Limited (formerly Macquarie Media International Limited) and the entities it controlled. Following the corporatisation, the consolidated financial statements of Southern Cross Media Group consist of Southern Cross Media Group Limited and its controlled entities. Other than changes to the internal structure of Southern Cross Media Group, there is no impact on Southern Cross Media Group as a result of the corporatisation transaction, and as such it is appropriate to present the consolidated financial statements of Southern Cross Media Group as a continuation of Macquarie Media Group. As a result, comprehensive income and equity previously presented as attributable to equity holders of each of the stapled entities has been aggregated and presented as attributable to equity holders of SCMGL.

Information in respect of the parent entity in this financial report relates to Southern Cross Media Group Limited.

Compliance with IFRS

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Consequently this financial report has also been prepared in accordance with and complies with IFRS as issued by the IASB.

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.

Comparative figures

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

Summary of Significant Accounting Policies (continued)

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of SCMGL ("the Company") as at 30 June 2010 and the results of all subsidiaries for the year then ended. SCMGL and its subsidiaries together are referred to in this financial report as SCMG or the Group. The effects of all transactions between entities in the Group are eliminated in full. Other non-controlling interests in the Statements of Comprehensive Income and Statements of Changes in Equity of the deemed subsidiaries are shown separately in the Statements of Comprehensive Income and Statements of Financial Position respectively. Other non-controlling interests are interests which are attributable to parties other than shareholders.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group except as follows:

- At the time of Initial Public Offering (“IPO”) Southern Cross Media Australia Holdings Pty Limited (“SCMAHL”) (formerly known as Macquarie Media Group Pty Limited) was deemed to be the accounting acquirer of both SCMGL and Southern Cross Media Trust (“SCMT”), which was neither the legal parent nor legal acquirer; and
- This reflects the requirements of AASB 3 that in situations where an existing entity (SCMAHL) arranges to be acquired by a smaller entity (SCMGL) for the purposes of a stock exchange listing, the existing entity SCMAHL should be deemed to be the acquirer, subject to consideration of other factors such as management of the entities involved in the transaction and relative fair values of the entities involved in the transaction. This is commonly referred to as a reverse acquisition.

At the time of IPO, in November 2005, the reverse acquisition guidance of AASB 3 was applied to SCMG and the cost of the Business Combination was deemed to be paid by SCMAHL to acquire SCMGL and SCMT. The cost was determined by reference to the fair value of the net assets of SCMGL and SCMT immediately prior to the Business Combination. The investment made by the legal parent SCMGL in SCMAHL to legally acquire the existing radio assets is eliminated on consolidation. In applying the guidance of AASB 3, this elimination results in a debit of $77.4 million to other equity transactions. This does not affect SCMG’s distributable profits.

(i) Subsidiaries

Subsidiaries are those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Where control of an entity is obtained during a financial year, its results are included in the Statement of Comprehensive Income from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated Statements of Comprehensive Income and Statements of Financial Position respectively.

Summary of Significant Accounting Policies (continued)

(b) Principles of consolidation (continued)

(ii) Associates

Associates are entities over which the Group has significant influence, but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the Company financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes the fair value of goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the Company's profit and loss, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Joint Ventures

Interest in joint venture entities are accounted for in the consolidated financial statements using the equity method and are carried at cost by the Company. As for associates, under the equity method, the share of the profits or losses of the partnership is recognised in profit or loss and the share of movements in reserves is recognised in reserves.

(iv) Transactions with Non-controlling parties

Equity transactions with non-controlling entities are recognised in the Group financial statements using the economic entity method, whereby transactions with non-controlling parties are treated as transactions with equity participants.

(c) Foreign currency

Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Australian dollars, which is SCMGL's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity from applying cash flow hedge accounting or net funding of a foreign operation.

Summary of Significant Accounting Policies (continued)

(c) Foreign currency (continued)

Group companies

The results and financial position of all of the Group entities (none of which have the currency of a hyperinflationary economy) that have functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each Statement of Comprehensive Income are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Cash and cash equivalents

For the purpose of the Statements of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

(e) Investments and other financial assets

The Group classifies its financial assets in the following category: loans and receivables. Investments in subsidiaries are classified separately and are held at cost in the Company. The classification depends on the purpose for which the investments were acquired. The classification of the Group's investments is determined at initial recognition.

At balance date, the Group had the following financial assets:

Loans, receivables and trade receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when any entity within the Group provides money, or defers payment on ordinary equity, to an external party with no intention of selling the receivable immediately or in the near future or arise within the Group on a single entity basis when one entity provides money to another member of the Group. Loans and receivables with maturity less than 12 months are included in current assets and those with greater than 12 months maturity are included in non-current assets. Loans and receivables are initially recorded at fair value and then subsequently at amortised cost using the effective interest rate method.

Trade receivables are recognised at fair value, being the original invoice amount and subsequently measured at amortised cost less provision for doubtful debts.

A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is recognised in profit or loss. Where a debt is known to be uncollectible, it is considered a bad debt and written off.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost within the Company, including costs that were incidental to the acquisition. Incidental costs incurred in acquiring investments are recorded as deferred acquisition costs until the date of completion of the acquisition, at which point these costs are reclassified into the investment.

Summary of Significant Accounting Policies (continued)

(e) Investments and other financial assets (continued)

Investments in associates

Associates are those entities over which the consolidated entity exercises significant influence but not control. Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post acquisition profits and losses of associates are recognised in profit or loss and are adjusted against the cost of the investment.

(f) Property, plant and equipment

Cost

Property, plant and equipment is recorded at cost less accumulated depreciation and cumulative impairment charges. Cost includes those costs directly attributable to bringing the assets into the location and working condition necessary for the asset to be capable of operating in the manner intended by management. The estimated cost of dismantling and removing infrastructure items and restoring the site on which the assets are located is only included in the cost of the asset to the extent that the Group has an obligation to restore the site and the cost of restoration is not recoverable from third parties. Additions, renewals and improvements are capitalised, while maintenance and repairs are expensed.

The carrying values of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable (refer to note 1(i)). An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation

Land is not depreciated. Depreciation on other assets is calculated on a straight-line basis to write off the cost of property, plant and equipment over its estimated useful life. Estimates of remaining useful life are made on a regular basis for all assets, with annual reassessments for major items. The expected useful life of property, plant and equipment is as follows:

Buildings	5 – 50 years
Leasehold improvements	3 – 10 years
Network equipment	2 – 10 years
Communication equipment	3 – 5 years
Other plant and equipment	2 – 20 years
Leased plant and equipment	2 – 20 years

Summary of Significant Accounting Policies (continued)

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the 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. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term, if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Intangible assets

Free to air commercial television and radio broadcasting licences

Television and radio licences are initially recognised at cost. The licences are renewable for a minimal cost every five years under provisions within the Broadcasting Services Act. The directors understand that the revocation of a commercial television or radio licence has never occurred in Australia and have no reason to believe the licences have a finite life. As a result, the free to air commercial television and radio broadcasting licences have been assessed to have indefinite useful lives. Accordingly, they are not amortised and are tested for impairment annually, or whenever there is an indication that the carrying value may be impaired, and are carried at cost less accumulated impairment losses.

Mastheads and tradenames

Mastheads and tradenames are initially recognised at cost. The mastheads and tradenames have been assessed to have indefinite useful lives. Accordingly, they are not amortised and are tested for impairment annually, or whenever there is an indication that the carrying value may be impaired, and are carried at cost less accumulated impairment losses.

The Group's mastheads and tradenames operate in established markets with limited restrictions and are expected to continue to complement the Group's media initiatives. On this basis, the directors have determined that mastheads and tradenames have indefinite lives as there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows.

Other intangibles

Other intangibles including customer relationships are recognised at cost and are amortised over the useful life of the asset (between 1 – 13 years).

Goodwill

All business combinations are accounted for by applying the purchase method. Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Transaction costs are expensed in the period incurred.

Goodwill is stated at cost less any impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Negative goodwill arising on an acquisition is recognised directly in profit or loss, after reassessment of the identification and measurement of the net assets acquired.

Summary of Significant Accounting Policies (continued)

(i) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Derivative financial instruments

The Group enters into interest rate swap agreements and forward foreign exchange contracts to manage its financial risks. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. The Group may have derivative financial instruments which are economic hedges, but do not satisfy the requirements of hedge accounting. Gains or losses from changes in fair value of these economic hedges are taken through profit or loss.

If the derivative financial instrument meets the hedge accounting requirements, the Group designates the derivatives as either (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedge). The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessments, 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 fair values or cash flows of hedged items. The fair values of various derivative financial instruments held are disclosed in note 10.

(k) Trade and other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition.

(l) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Summary of Significant Accounting Policies (continued)

(m) Employee benefits

(i) Wages and salaries, leave and other entitlements

Liabilities for unpaid salaries, salary related costs and provisions for annual leave are recorded in the Statement of Financial Position at the salary rates which are expected to be paid when the liability is settled. Provisions for long service leave and other long-term benefits are recognised at the present value of expected future payments to be made. In determining this amount, consideration is given to expected future salary levels and employee service histories. Expected future payments are discounted to their net present value using rates on Commonwealth Government securities with terms that match as closely as possible to the expected future cash flows.

(ii) Share-based payments

Share-based compensation benefits are provided to employees via certain Employee Agreements. Information relating to these Agreements is set out in the Remuneration Report.

The fair value of entitlements granted under certain Employee Agreements, are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised as an expense over the period during which the employees become unconditionally entitled to the shares.

The fair value at grant date is determined using a Forward Approach pricing model that takes into account the share price at balance date and the expected dividend yield and the risk free interest rate for the term of the entitlement.

The fair value of the securities granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of shares that are expected to be issued. At each balance sheet date, the entity revises its estimate of the number of shares that are expected to be issued. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised to profit or loss with a corresponding adjustment to equity. Where the terms of the share based payment entitlement are modified in the favour of the employee, the changes are reflected when determining the impact on profit or loss.

(n) Retirement benefit obligations

SCM operates both a defined benefit scheme (“DBS”) and a defined contribution scheme. ACM operates a defined contribution scheme. Eligibility for participation in each of the plans is governed by employment and related law in the country of employment.

Defined benefit scheme

The defined benefit scheme in SCM provides, for certain eligible employees in Australia, defined lump sum benefits based on years of service and final average salary.

A liability or asset in respect of the defined benefit scheme is recognised in the Statement of Financial Position and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial net gains/ losses less the fair value of the plan’s assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the scheme to the reporting date, calculated at least annually by independent actuaries.

Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future outflows. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in equity.

Summary of Significant Accounting Policies (continued)

(n) Retirement benefit obligations (continued)

Defined contribution scheme

The defined contribution schemes comprise fixed contributions made by the Group with the Group's legal or constructive obligation being limited to these contributions. Contributions to the defined contribution scheme are recognised as an expense as they become payable. Prepaid contributions are recognised in the Statement of Financial Position as an asset to the extent that a cash refund or a reduction in the future payments is available.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Transaction costs that have been paid or accrued for prior to the drawdown of debt are classified as prepayments. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Preference shares and special shares which are mandatorily redeemable on a specific date or at the discretion of issuer, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense, using the effective interest rate method.

(p) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(q) Capital reserve

Amounts distributed to shareholders from capital are transferred from the capital reserve.

(r) Contributed equity

Shares in SCMGL are classified as equity. Preference shares are classified as liabilities (in accordance with note 1(o)). Incremental costs directly attributed to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(s) Revenue recognition

Revenues are recognised at fair value of the consideration received or receivable net of the amount of goods and services tax (GST) payable to the relevant taxation authority.

Free to air Commercial Radio and Television Broadcasting

Revenue represents revenue earned primarily from the sale of advertising airtime and related activities, including sponsorship and promotions. Revenue is recorded when the service is provided, being primarily when the advertisement is aired. Commissions payable to media agencies are recognised as selling costs. Other regular sources of operating revenue are derived from commercial production for advertisers, including facility sharing revenue and program sharing revenue. Revenue from commercial production is recognised on invoice, at the time of completion of the commercial.

Newspaper

Classified and display advertising and circulation revenues are recorded when the publications are issued. The receivables relating to sales to dealers are recorded at the gross sales price of all copies drawn, less an allowance for copies to be returned unsold. Commercial printing revenue is recognised when earned.

Summary of Significant Accounting Policies (continued)

(s) Revenue recognition (continued)

Interest revenue

Interest revenue on loans and receivables is recognised using the effective interest rate method.

Other service revenue

Other service revenue is recognised when the service has been provided.

(t) Government grants

Grants from the government for the introduction of regional digital television broadcasting are recognised at their fair value on entitlement and receipt. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are deferred and recognised in profit or loss on a straight line basis over the expected useful lives of the related assets.

(u) Income tax

Income tax amounts recognised in the Group's financial statements relate to tax paying entities within the Group and have been recognised in accordance with Group policy.

Income tax is not brought to account in respect of SCMT, as pursuant to the Income Tax Assessment Act, the Trust is not liable for income tax provided that its taxable income (including any assessable realised capital gains) is fully distributed to unit holders each year.

The income tax expense (or revenue) for the year is the tax payable on the current year's taxable income based on the applicable tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and to unused tax losses. In determining the extent of temporary differences of assets, the carrying amount of assets is generally assumed to be recovered through use except for non amortising identifiable intangible assets, such as free to air commercial television and radio broadcasting licences, mastheads and tradenames where the carrying amounts are assumed to be recovered through sale, unless there is evidence of recovery through use.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Summary of Significant Accounting Policies (continued)

(v) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, unlisted convertible notes) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(w) Distributions / dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of SCMGL, on or before the end of the financial year but not distributed at the end of the reporting period.

(x) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit/loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential shares.

(y) Inventories

Inventories include raw materials, which comprises mainly newsprint, ink, printing plates and film. Inventories are stated at the lower of cost and net realisable value.

(z) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market estimates of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Summary of Significant Accounting Policies (continued)

(aa) Rounding of amounts

SCMG and SCMGL are of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise indicated.

(bb) Impact of new accounting policies

The Group has changed a number of its accounting policies as the result of new or revised accounting standards which became operative for the annual reporting period commencing on 1 July 2009. The affected policies and standards are:

(i) Revised AASB 101: Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)

AASB 101 requires the presentation of a Statement of Comprehensive Income and makes changes to the Statements of Changes in Equity but has not affected any of the amounts recognised in the financial statements. If the Group made a prior period adjustment or has reclassified items in the financial statements, it would also need to disclose a third Statement of Financial Position, this one being as at the beginning of the comparative period. The Group has not disclosed a third Statement of Financial Position as it has not made a prior period adjustment.

(ii) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009)

AASB 8 has resulted in a change in the approach to segment reporting, as it requires adoption of a "management approach" to reporting on the financial performance. The information being reported is based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has adopted AASB 8 from 1 July 2009. Refer to note 31 for segment information.

(cc) Impact of standards issued but not yet applied

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group’s assessment of the impact of relevant new standards and interpretations is set out below.

- AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)
- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective for annual periods beginning on or after 1 July 2010)
- AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)

The Company currently does not expect that any adjustments will be necessary as a result of applying these revised accounting standards. The impact on future transactions will need to be assessed as they occur.

Summary of Significant Accounting Policies (continued)

(dd) Critical Accounting Estimates and Judgement

The preparation of the financial report in accordance with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management 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. Management believes the estimates used in the preparation of the financial report are reasonable. Actual results in the future may differ from those reported.

The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Impairment of goodwill and intangible assets with indefinite useful lives

In accordance with the accounting policy stated in note 1(h) and 1(i) 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. There are also judgements involved in determination of cash generating units. Refer to note 14 for details of these assumptions.

(ii) Share based payments

The Group provides incentives to certain employees via share based payment entitlements (refer to note 25). The fair value of entitlements is determined in accordance with the accounting policy in note 1(m)(ii). If certain assumptions used in the fair value calculation were to change, there would be an impact on the profit and loss in future financial periods.

(iii) Retirement benefit assets/obligations

The asset/liability in respect of the defined benefit superannuation plan is calculated as the deficit/surplus of the fair value of the defined benefit plan assets over the present value of the defined benefit obligation. The key assumptions used in determining the retirement benefit asset/obligation are described in note 23.

(iv) Income taxes

The Group is subject to income taxes in Australia and in some of its foreign operations. Currently the Group has tax losses available for use that have been brought to account as deferred tax assets. This is based on an assumption that the use of these losses in the foreseeable future is probable. If this assumption was to change, the corresponding tax assets may be derecognised in the Group's Statements of Financial Position.

(v) Derivative financial instruments

The fair values of over-the-counter derivatives are determined using valuation techniques adopted by the directors with assumptions that are based on market conditions existing at each balance sheet date. The fair values of interest rate swaps are calculated as the present values of the estimated future cash flows.

Summary of Significant Accounting Policies (continued)

(ee) Parent entity financial information

The financial information for the parent entity, Southern Cross Media Group Limited (SCMGL), disclosed in note 30 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries are accounted for at cost in the financial statements of SCMGL.

(ii) Tax consolidation legislation

SCMGL and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 23 November 2005.

The head entity, SCMGL, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right. In addition to its own current and deferred tax amounts, SCMGL also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate SCMGL for any current tax payable assumed and are compensated by SCMGL for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to SCMGL under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year.

The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(iii) Financial guarantees

Where the Parent Entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(ff) Discontinued operations

A discontinued operation is a component of an entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area. The results of discontinued operations are presented separately on the face of the Statement of Comprehensive Income.

2 Profit / (Loss) for the Year

The operating profit / (loss) before income tax from continuing operations included the following specific items of revenue, other income and expenses:

	Consolidated	
	SCMG 1 Jul 09 - 30 Jun 10 $'000	SCMG 1 Jul 08 - 30 Jun 09 $'000
Revenue		
Sales revenue	404,673	393,483
Other revenue		
Government grant revenue	2,236	2,230
	406,909	395,713
Interest revenue		
External banks	8,111	20,242
Other Income - Net fair value gains on financial derivatives – interest rate swaps		-
Total fair value gains	17,389	-
Management fees		
Base fee expense - Responsible Entity / Manager	4,578	1,332
Depreciation		
Land & buildings	1,113	787
Plant & equipment	19,045	17,562
Leasehold improvements	526	645
Plant & equipment under finance leases	134	139
Total depreciation	20,818	19,133
Amortisation		
Customer relationships	967	967
Total amortisation	967	967
Total depreciation and amortisation	21,785	20,100
Finance costs		
Interest expense and other borrowing costs		
External banks	61,862	85,407
Finance charges on capitalised leases	44	55
Total finance costs	61,906	85,462
Fair value losses on financial derivatives – interest rate and foreign currency swaps		
Net fair value losses on financial derivatives – interest rate swaps	-	46,232
Rental expense relating to operating leases - minimum lease payments – included in occupancy costs	14,081	13,864
Defined contribution plan expense	6,476	7,142
Defined benefit plan expense	146	212
Net profit on disposal of property, plant & equipment	240	18

3 Remuneration of Auditors

	Consolidated	
	SCMG	SCMG
	1 Jul 09 - 30 Jun 10 $	1 Jul 08 - 30 Jun 09 $
(a) Audit services		
PricewaterhouseCoopers Australian firm:		
Statutory audit and review of financial reports	1,020,925	1,410,878
PricewaterhouseCoopers overseas firm:		
Audit and review of financial reports	381,869	513,520
Total remuneration for audit services	1,402,794	1,924,398
(b) Non-audit services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services	182,406	57,748
Transaction services	285,000	-
Regulatory returns	40,000	56,000
Other assurance services	85,690	139,619
Remuneration consulting	25,000	-
PricewaterhouseCoopers overseas firm:		
Tax compliance services	181,843	99,207
Total remuneration for non-audit services	799,939	352,574
Total	2,202,733	2,276,972

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4 Income Tax (Benefit) / Expense

The income tax for the financial year differs from the amount calculated on the net result from continuing operations. The differences are reconciled as follows:

	Consolidated	
	SCMG 1 Jul 09 - 30 Jun 10 $'000	SCMG 1 Jul 08 - 30 Jun 09 $'000
Income tax (benefit)/expense		
Current tax	-	25
Withholding tax	304	155
Deferred tax	3,978	(34,544)
	4,282	(34,364)
Deferred income tax expense included in income tax expense comprises:		
Decrease/(Increase) in deferred tax assets	3,978	(34,544)
	3,978	(34,544)
Reconciliation of income tax (benefit)/ expense to prima facie tax payable		
Profit / (Loss) before income tax expense	24,185	(15,724)
Tax at the Australian tax rate of 30%	7,256	(4,717)
Tax effect of operating results of SCMT (Refer note 1(u))	(2,581)	(4,110)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share of net profits of associates	(487)	(343)
Share based payments	(28)	-
Other non-deductible expenses/ non-assessable income	290	681
Deferred tax assets not brought to account	-	(4,813)
Adjustments recognised in the current year in relation to current tax of prior years	356	-
Previously unrecognised tax losses / deferred tax assets brought to account	-	(20,503)
Withholding tax	304	155
Impact of operations in jurisdictions other than Australia - Bermudian entity (Refer note 1(t))	(828)	(714)
Income tax (benefit)/expense attributable to operating loss	4,282	(34,364)

At 30 June 2010 and 30 June 2009, SCMG did not have any tax amounts recognised directly in equity or any unused tax losses for which no deferred tax asset had been recognised.

5 Discontinued operations

(a) Description

On 30 June 2010, SCMG announced that ACM had entered into a restructuring agreement ("Agreement") with its lenders due to ACM's breach of certain covenants under its USD$133.7 million business level bank facility. Under this Agreement, ACM lenders acquired a 90% equity interest and 100% of control of ACM, while SCMG has retained a 10% non-voting equity interest in ACM. SCMG is released from all claims attaching to the ACM facility and the SCMG has not provided any guarantees or security in favour of ACM or its lenders.

Financial information relating to the discontinued operation for the period to the date of the sale is set out below.

(b) Financial performance and cash flow information

The financial performance for the year from discontinued operations included in the Statement of Comprehensive Income Statement are set out below. The comparative loss and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current period.

Financial performance

	Consolidated	
	SCMG 1 Jul 09 – 30 Jun 10 $'000	SCMG 1 Jul 08 – 30 Jun 09 $'000
Revenue	96,348	130,906
Other income	5,235	47,230
Expenses	(113,544)	(145,118)
Impairment loss	(170,575)	(138,940)
Loss before income tax	(182,536)	(105,922)
Income tax benefit	4,730	2,714
Loss after income tax of discontinued operations	(177,806)	(103,208)
Profit from disposal	75,227	-
Total loss from discontinued operations	(102,579)	(103,208)

Cash flow information

	Consolidated	
	SCMG 1 Jul 09 – 30 Jun 10 $'000	SCMG 1 Jul 08 – 30 Jun 09 $'000
Net cash inflow from operating activities	15,993	22,071
Net cash outflow from investing activities	(636)	(1,455)
Net cash outflow from financing activities	(12,890)	(26,528)
Net increase/(decrease) in cash generated from discontinued operations	2,467	(5,912)

(c) Analysis of assets and liabilities over which control was lost

SCMG lost control of ACM for nil consideration. SCMG's remaining 10% non-voting equity interest in ACM has been classified as an available for sale investment and at 30 June 2010, the fair value of which was nil. Assets and liabilities disposed are outlined below.

	ACM Group 30 June 2010 $'000
Cash	6,058
Other current assets	13,471
Property, plant and equipment	12,182
Intangible assets	62,096
Other non-current assets	34
Total assets	93,841
Payables	9,882
Other current liabilities	1,256
Borrowings	158,990
Other non-current liabilities	9,846
Total liabilities	179,974
Net liabilities	86,133

(d) Gain on disposal

	ACM Group 30 June 2010 $'000
Consideration received	-
Net liabilities disposed of	86,133
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity on loss of control of subsidiary	(10,906)
Gain on disposal	75,227

(e) Net cash outflow on disposal

	ACM Group 30 June 2010 $'000
Consideration received	-
Less: cash and cash equivalent balances disposed of	6,058
	(6,058)

6 Dividends and Distributions Paid and Proposed

The distributions were paid and payable as follows:

	Consolidated	
	SCMG	SCMG
	1 Jul 09 - 30 Jun 10 $'000	1 Jul 08 - 30 Jun 09 $'000
The distributions were paid/payable as follows:		
Interim distribution paid for 31 December	13,259	9,672
Final distribution paid for the year ended 30 June	-	6,117
	13,259	15,789

	Cents per security	Cents per stapled security
Interim distribution paid for 31 December	3.5	4.5
Final distribution paid for the year ended 30 June	-	3.2
	3.5	7.7

SCMG has $32 million of franking credits at 30 June 2010 (2009: $31.4 million)

During the year, SCMGL paid preference share dividends to SCMT of $7.2 million (2009: $4.6 million). Due to the features of these redeemable preference shares ("RPS"), they were recorded as a liability for accounting purposes and accordingly, the dividends were treated as interest expense. These RPS were cancelled on 18 March 2010, refer to note 31 for further details.

7 Current Assets – Cash and Cash Equivalents

	Consolidated	
	SCMG	SCMG
	As at 30 Jun 10 $'000	As at 30 Jun 09 $'000
Cash at bank	38,116	347,070

8 Current Assets – Receivables

	Consolidated	
	SCMG	SCMG
	As at 30 Jun 10 $'000	As at 30 Jun 09 $'000
Current		
Trade receivables	76,891	84,391
Provision for doubtful debts (a)	(1,128)	(2,970)
GST recoverable	-	406
Prepayments	5,960	7,347
Other	2,605	5,073
	84,328	94,247

(a) Impaired trade receivables

The Group has recognised an expense in respect of bad and doubtful trade receivables during the year ended 30 June 2010 of $918,600 (2009: $2,349,938). This provision is based on known bad debts and past experience for receipt of trade receivables.

9 Current Assets - Inventories

	Consolidated SCMG As at 30 Jun 10 $'000	Consolidated SCMG As at 30 Jun 09 $'000
Inventories – at cost	-	2,355
Provision for obsolescence	-	-
	-	2,355

10 Derivative Financial Instruments

	Consolidated SCMG As at 30 Jun 10 $'000	Consolidated SCMG As at 30 Jun 09 $'000
Current liabilities		
Interest rate swap contracts (a)	1,228	31,417
Total current liabilities derivative financial instruments	1,228	31,417
Non-current liabilities		
Interest rate swap contracts (a)	4,164	6,018
Total non-current liabilities derivative financial instruments	4,164	6,018

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies (refer to note 29).

(a) Interest rate swap contracts

External borrowings of the Group currently bear an average variable interest rate of 8.49% (2009: 5.09%). It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

In Australia, interest rate swaps currently in place cover approximately 100% (2009: 90%) of the loan principal outstanding. The current fixed interest rates range between 5.97% and 7.26% (2009: range between 6.15% and 8.17%) and the variable rate is determined with reference to the 90 day bank bill swap rate ("BBSW").

In the United States at 30 June 2009, interest rate swaps covered approximately 92% of the loan principal outstanding. The fixed interest rates ranged between 3.40% and 5.38% and the variable rate is determined with reference to the 90 day interbank offer rate ("USD LIBOR") which at 30 June 2009 was 0.60%. At 30 June 2010, these facilities are no longer relevant to the Group, due to the deconsolidation of the ACM Group and there are no such ACM balances at 30 June 2010.

The notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	Consolidated SCMG As at 30 Jun 10 $'000	Consolidated SCMG As at 30 Jun 09 $'000
Less than 1 year	150,000	404,101
1 – 2 years	-	437,319
2 - 3 years	-	100,000
3 - 4 years	150,000	-

10 Derivative Financial Instruments (continued)

(a) Interest rate swap contracts (continued)

The contracts require settlement of net interest receivable or payable and are timed to coincide with the approximate dates on which interest is payable on the underlying debt.

These interest rate swaps are economic hedges as they do not satisfy the requirements for hedge accounting. The amount of interest rate swaps which are realised in the relevant period relating to the finance costs in that period are brought to account as finance costs in profit or loss. These instruments are recognised at fair value and any unrealised changes in fair value are taken to profit or loss. Refer to note 2 for amounts taken to profit or loss for the year ended 30 June 2010.

11 Non-Current Assets – Receivables

	Consolidated	
	SCMG As at 30 Jun 10 $'000	SCMG As at 30 Jun 09 $'000
Non-current		
Refundable deposits	477	1,347

The carrying amounts of the non-current receivables approximate their fair value.

12 Non-Current Assets – Investments Accounted for Using the Equity Method

	Consolidated	
	SCMG As at 30 Jun 10 $'000	SCMG As at 30 Jun 09 $'000
Shares in associates – equity method	29,643	29,503

(a) Carrying amounts

Information relating to associates is set out below:

			Ownership interest %		Consolidated	
Name of company	Country of origin	Principal activity	2010	2009	SCMG As at 30 Jun 10 $'000	SCMG As at 30 Jun 09 $'000
Radio Newcastle Pty Limited	Australia	Commercial radio broadcasting	50	50	20,069	20,015
Gold Coast Translator Pty Ltd	Australia	Rental of a transmission facility	25	25	94	94
Regional Tam Pty Ltd	Australia	Acquisition and distribution of TV ratings	36	36	9	9
Tasmanian Digital Television Pty Ltd	Australia	Operation of a TV station - Tasmania	50	50	8,104	7,692
Darwin Digital Television Pty Ltd *	Australia	Operation of a TV station - Darwin	50	50	1,367	1,693
					29,643	29,503

12 Non-current Assets – Investments Accounted for Using the Equity Method (continued)

(b) Movements in carrying amounts

	Consolidated	
	SCMG As at 30 Jun 10 $'000	SCMG As at 30 Jun 09 $'000
Carrying amount at the beginning of the financial year	29,503	28,139
Share of profits after income tax	1,623	1,143
Dividends received/receivable	(1,850)	(2,000)
Disposals of associates *	-	(8,000)
Acquisitions of associates *	-	9,386
Contributions to associates	367	835
Carrying amount at the end of the financial year	29,643	29,503

* As part of the acquisition of the Southern Cross entities, ACMA required SCMG to undertake to divest of certain equity and debt interests in Tasmanian Digital Television Pty Ltd ("TDT") and Darwin Digital Television Pty Ltd ("DDT"). On 19 January 2009 SCMG disposed of certain debt and equity interests in TDT and DDT subject to certain re-acquisition rights conditional on, among other things, ACMA consenting to the withdrawal of SCMG's divestment undertakings. In March 2009, those conditions were satisfied and the 19 January 2009 divestments relating to TDT and DDT were re-acquired on 15 June 2009 and 27 April 2009 respectively.

(c) Details of interest in associates

	Consolidated	
	SCMG As at 30 Jun 10 $'000	SCMG As at 30 Jun 09 $'000
Share of associate's assets and liabilities		
Current assets	2,408	1,400
Non-current assets	33,505	31,952
Total assets	35,913	33,352
Current liabilities	2,150	2,887
Non-current liabilities	4,120	962
Total liabilities	6,270	3,849
Net assets	29,643	29,503
Share of associate's revenue, expenses and results		
Revenue	9,832	6,887
Expenses	(7,355)	(4,798)
Profit before income tax	2,477	2,089
Income tax expense	(854)	(946)
Net profit – accounted for using the equity method	1,623	1,143
Share of associate's contingent liabilities	-	-
Share of contingent liabilities incurred jointly with other investors	-	-
Contingent liabilities relating to liabilities of the associate for which the company is severally liable	-	-
	-	-

13 Non-Current Assets – Property, Plant and Equipment

	Consolidated	
	SCMG	SCMG
	As at 30 Jun 10 $'000	As at 30 Jun 09 $'000
Land and buildings– at cost	46,053	60,366
Less: Accumulated depreciation	(4,393)	(3,840)
Total land and buildings - net	41,660	56,526
Leasehold improvements – at cost	10,726	11,430
Less: Accumulated depreciation	(5,671)	(5,287)
Total leasehold improvements – net	5,055	6,143
Plant and equipment – at cost	191,625	177,988
Less: Accumulated depreciation	(93,488)	(77,940)
Total plant and equipment - net	98,137	100,048
Leased plant & equipment – at cost	722	647
Less: Accumulated depreciation	(247)	(177)
Total leased plant and equipment - net	475	470
Assets under construction – at cost	2,606	20,667
Total property, plant and equipment – at cost	251,732	271,098
Less: Total accumulated depreciation	(103,799)	(87,244)
Total property, plant and equipment – net	147,933	183,854

13 Non-Current Assets – Property, Plant and Equipment (continued)

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of each year are set out below:

	Consolidated	
	SCMG	SCMG
	1 Jul 09 - 30 Jun 10 $'000	1 Jul 08 - 30 Jun 09 $'000
Land and buildings		
Carrying amount at the beginning of the financial year	56,526	57,456
Acquisition of subsidiaries	-	68
Additions	139	1,811
Disposals	(615)	(22)
Depreciation expense	(1,389)	(1,053)
Impairment loss – discontinued operations	(5,176)	-
Transfers	-	(3,442)
Deconsolidation of subsidiary	(6,872)	-
Foreign currency exchange difference – discontinued operations	(953)	1,708
Carrying amount at the end of the financial year	41,660	56,526
Leasehold improvements		
Carrying amount at the beginning of the financial year	6,143	1,787
Additions	50	529
Disposals	(14)	(7)
Depreciation expense	(604)	(757)
Impairment loss – discontinued operations	(195)	-
Transfers	-	4,517
Deconsolidation of subsidiary	(285)	-
Foreign currency exchange difference – discontinued operations	(40)	74
Carrying amount at the end of the financial year	5,055	6,143
Assets under construction		
Carrying amount at the beginning of the financial year	20,667	8,510
Transfers	(19,516)	(3,480)
Additions	1,455	15,637
Carrying amount at the end of the financial year	2,606	20,667

13 Non-Current Assets – Property, Plant and Equipment (continued)

	Consolidated SCMG 1 Jul 09 - 30 Jun 10 $'000	Consolidated SCMG 1 Jul 08 - 30 Jun 09 $'000
Plant and equipment		
Carrying amount at the beginning of the financial year	100,048	108,625
Additions	9,138	7,022
Disposals	(166)	(416)
Depreciation expense	(20,812)	(19,472)
Impairment loss – discontinued operations	(4,023)	-
Transfers	19,516	2,422
Deconsolidation of subsidiary	(5,025)	-
Foreign currency exchange differences – discontinued operations	(539)	1,867
Carrying amount at the end of the financial year	98,137	100,048
Leased plant and equipment		
Carrying amount at the beginning of the financial year	470	573
Additions	185	215
Disposals	(46)	(163)
Depreciation expense	(134)	(139)
Transfers	-	(16)
Carrying amount at the end of the financial year	475	470
Total property, plant and equipment – net	147,933	183,854

14 Non-Current Assets - Intangible Assets

	Consolidated SCMG As at 30 Jun 10 $'000	Consolidated SCMG As at 30 Jun 09 $'000
Commercial radio/TV broadcast licences – at cost	768,483	768,483
Mastheads and Tradenames – at cost	95	72,381
Less accumulated amortisation and impairment charges	-	(33)
Total Mastheads and Tradenames – net	95	72,348
Non-compete agreements – at cost	-	3,034
Less accumulated amortisation and impairment charges	-	(2,079)
Total non-compete agreements – net	-	955
Customer relationships – at cost	2,900	70,168
Less accumulated amortisation and impairment charges	(2,578)	(12,497)
Total customer relationships – net	322	57,671
Goodwill – at cost	295,868	540,843
Less accumulated impairment charges	-	(123,291)
Total goodwill – net	295,868	417,552
Total intangibles – at cost	1,067,346	1,454,909
Less total accumulated amortisation and impairment charges	(2,578)	(137,900)
Total intangibles – net	1,064,768	1,317,009

14 Non-Current Assets – Intangible Assets (continued)

	Consolidated	
	SCMG As at 30 Jun 10 $'000	SCMG As at 30 Jun 09 $'000
Commercial radio/TV broadcast licences		
Carrying amount at the beginning of the financial year	768,483	768,483
Carrying amount at the end of the financial year	768,483	768,483
Mastheads and Tradenames		
Carrying amount at the beginning of the financial year	72,348	60,707
Additions	18	13
Amortisation expense	(18)	(20)
Impairment loss – discontinued operations	(29,034)	-
Deconsolidation of subsidiary	(38,264)	-
Foreign currency exchange differences – discontinued operations	(4,955)	11,648
Carrying amount at the end of the financial year	95	72,348
Non-compete agreements – discontinued operations		
Carrying amount at the beginning of the financial year	955	951
Additions	-	1,280
Amortisation expense	(302)	(1,436)
Impairment loss	(205)	-
Deconsolidation of subsidiary	(217)	-
Foreign currency exchange differences	(231)	160
Carrying amount at the end of the financial year	-	955
Customer relationships		
Carrying amount at the beginning of the financial year	57,671	56,566
Additions	-	13
Amortisation expense	(6,880)	(8,594)
Impairment loss – discontinued operations	(23,107)	-
Deconsolidation of subsidiary	(23,615)	-
Foreign currency exchange differences – discontinued operations	(3,747)	9,686
Carrying amount at the end of the financial year	322	57,671
Goodwill		
Carrying amount at the beginning of the financial year	417,552	502,693
Disposals	-	(690)
Impairment loss – discontinued operations	(108,835)	(138,940)
Deconsolidation of subsidiary	-	-
Foreign currency exchange differences – discontinued operations	(12,849)	54,489
Carrying amount at the end of the financial year	295,868	417,552
Total intangibles – net	1,064,768	1,317,009

(a) Impairment tests for licences, mastheads, tradenames and goodwill

The value of licences, mastheads, tradenames and goodwill is allocated to the Group's cash generating units ("CGUs"), identified as the Australian free to air broadcasting business and regional CGU groups in the United States community newspaper segment.

The recoverable amount of the Australia free to air broadcasting CGU at 30 June 2010 and 30 June 2009 was determined based on a value in use discounted cash flow ("DCF") model.

The recoverable amount of each of the United States community newspaper group CGUs at 30 June 2009 was determined based on a value in use DCF model. At 31 December 2009, the recoverable amount of the CGUs was determined based on the fair value less cost to sell as this is higher than that based on the value in use method and an impairment charge was made at 31 December 2009 (refer to note 14(c)).

14 Non-Current Assets – Intangible Assets (continued)

(a) Impairment tests for licences, mastheads, tradenames and goodwill (continued)

Allocation of goodwill and other intangible assets

SCMG	Australia Free to Air Broadcasting CGU	Total SCMG
30 June 2010	$'000	$'000
Goodwill allocated to CGU		
Free to air broadcasting	295,868	295,868
Total Goodwill	295,868	295,868
Indefinite lived intangible assets allocated to CGU		
Free to air broadcasting	768,483	768,483
Total Indefinite lived intangible assets	768,483	768,483
Total Goodwill and Indefinite lived intangible assets	1,064,351	1,064,351
Assumptions (see part (b))	%	
Value in use assumptions		
Revenue growth – Forecast period	4	
Cost growth – Forecast period	3	
Long term growth rate – terminal value	2.5	
Discount rate (pre tax)	13.6	

SCMG	United States Community Newspapers Group of CGUs	Australia Free to Air Broadcasting CGU	Total SCMG
30 June 2009	$'000	$'000	$'000
Goodwill allocated to CGU			
Free to air broadcasting	-	295,868	295,868
Community newspapers			
- Southwest Texas	49,800	-	49,800
- Ohio	13,462	-	13,462
- Chesapeake	19,006	-	19,006
- Superior	38,996	-	38,996
Total Goodwill	121,264	295,868	417,132
Indefinite lived intangible assets allocated to CGU			
Free to air broadcasting	-	768,483	768,483
Community newspapers			
- Southwest Texas	25,256	-	25,256
- Ohio	6,878	-	6,878
- Chesapeake	25,469	-	25,469
- Superior	14,460	-	14,460
Total Indefinite lived intangible assets	72,063	768,483	840,546
Total Goodwill and Indefinite lived intangible assets	193,327	1,064,351	1,257,678
Assumptions (see part (b))	%	%	
Value in use assumptions			
Revenue growth – Forecast period	2.8-5.3	3.8-4.9	
Cost growth – Forecast period	2.5	3.2	
Long term growth rate – terminal value	2.0	2.5	
Discount rate (pre tax)	13.8	12.6	

14 Non-Current Assets – Intangible Assets (continued)

(b) Key assumptions used for value in use calculations

The value in use calculations use cash flow projections based on the 2011 financial budgets extended over the subsequent four year period ("Forecast Period") using estimated growth rates approved by the board. Such growth rates do not exceed the long term industry growth rates. Cash flows beyond the five year period are extrapolated using growth rates that do not exceed the long term average growth rate for the business in which the CGU operates (refer table on the previous page). The discount rate used reflects specific risks relating to the relevant segments and the countries in which they operate (refer to the table on the previous page).

(c) Impairment charge

The carrying amount of the United States community newspaper segment was reduced to its recoverable amount through the recognition of an impairment loss of A$170.6 million (US$153.4 million) at 31 December 2009 (Year ended 30 June 2009: A$138.9 million; US$99.5 million). This impairment loss arose in the regional community newspaper CGUs in the United States as a result of the continued unfavourable economic environment impacting current and forecast trading performance and a reduction in the earnings multiples received in sale transactions for comparable businesses. As at 30 June 2010 ACM has been deconsolidated and its balances are no longer included in the Statement of Financial Position.

These impairment losses have been included in the losses from discontinued operations of the financial report for the year ended 30 June 2010 and 30 June 2009. The different classes of assets have been impaired as follows:

2010 A$'000s	Goodwill	Mastheads and tradenames	Non-compete agreements	Customer relationships	Property plant equipment	Total
Southwest Texas	(45,788)	(7,711)	(80)	(2,782)	(1,703)	(58,064)
Ohio	(12,782)	(2,480)	(123)	(4,144)	(1,089)	(20,618)
Chesapeake	(14,822)	(14,356)	-	(13,430)	(4,234)	(46,842)
Superior	(35,443)	(4,487)	(2)	(2,751)	(2,368)	(45,051)
	(108,835)	(29,034)	(205)	(23,107)	(9,394)	(170,575)

2009 A$'000s	Goodwill	Mastheads and tradenames	Non-compete agreements	Customer relationships	Property plant equipment	Total
Southwest Texas	(29,600)	-	-	-	-	(29,600)
Ohio	(22,500)	-	-	-	-	(22,500)
Chesapeake	(75,700)	-	-	-	-	(75,700)
Superior	(11,100)	-	-	-	-	(11,100)
	(138,900)	-	-	-	-	(138,900)

(d) Impact of a reasonably possible change in key assumptions

Free to air broadcasting

At 30 June 2010, an increase in the discount rate of 1.1% to 14.7% to reflect a higher cost of debt finance than currently forecast or other changes in the cost of equity, would result in the free to air broadcasting CGU carrying amount exceeding its recoverable amount. In addition, if the revenue growth assumption was to decrease from 4% to 3.0% or operating expense growth assumption was to increase from 3% to 4.6% over the forecast period, it would result in the free to air broadcasting CGU carrying amount to exceed its recoverable amount. At 30 June 2010, the amount by which the recoverable amount exceeded the carrying value of the assets allocated to the free to air broadcasting CGU was $126.7 million.

14 Non-Current Assets – Intangible Assets (continued)

(d) Impact of a reasonably possible change in key assumptions (continued)

At 30 June 2009, an increase in the discount rate of 1.0% to 13.6% to reflect a higher cost of debt finance than currently forecast or other changes in the cost of equity, would result in the free to air broadcasting CGU carrying amount exceeding its recoverable amount. In addition, if the revenue growth assumption was to decrease from a range of 3.8% - 4.9% to a range of 2.8% to 3.9%, or operating expense growth assumption was to increase from a range of 2.9% to 3.4% to a range of 4.4% to 4.9% over the forecast period, it would result in the free to air broadcasting CGU carrying amount to exceed its recoverable amount. At 30 June 2009, the amount by which the recoverable amount exceeded the carrying value of the assets allocated to the free to air broadcasting CGU was $128.4 million.

Community newspapers

At 30 June 2009, management had calculated a pre-tax discount rate of 13.8% for each community newspaper CGU, which was an estimate of their weighted average cost of capital and this was applied against cash flow projections to calculate the recoverable amount. As there had been credit market liquidity constraints and volatile equity markets, the determination of the appropriate discount rate was subject to judgement. An increase of 0.1% and 0.7% in the discount rate to reflect a higher cost of debt finance than was forecast or other changes in the cost of equity would have resulted in the carrying amount of Chesapeake and Southwest Texas CGUs respectively exceeding their recoverable amount. At 30 June 2009, the amount by which the recoverable amount of Chesapeake and Southwest Texas CGUs exceeded their carrying value respectively was A$3.3 million and A$1.7 million.

15 Non-Current Assets – Deferred Tax Assets

	Consolidated	
	SCMG	SCMG
	As at 30 Jun 10 $'000	As at 30 Jun 09 $'000
The balance comprises temporary differences attributable to:		
Tax losses	5,014	11,036
Property and equipment	2,221	2,027
Doubtful debts	338	547
Employee benefits	3,246	3,136
Interest rate swaps	1,618	9,532
Acquisition costs	16,218	5,697
Deferred costs	2,070	3,007
	30,725	34,982
Set off of deferred tax liability	(159)	(196)
Net balance	30,566	34,786
Movements:		
Balance at the beginning of the financial year	34,786	-
Disposal of subsidiary	(242)	-
Credited to income statement	(3,978)	34,786
Balance at the end of the financial year	30,566	34,786
Deferred tax assets to be recovered after more than 12 months	-	-
Deferred tax assets to be recovered within 12 months	30,566	34,786
	30,566	34,786

16 Subsidiaries and Available for Sale Financial Assets

The consolidated financial statements incorporate the assets, liabilities and results of the following significant subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Notes	Country of incorporation	Class of shares/units	Effective ownership interest 2010	Effective ownership interest 2009
Subsidiaries					
Southern Cross Media Trust (SCMT)		Australia	Ordinary	100%	-*
Southern Cross Media International Limited (SCMIL)		Bermuda	Ordinary	100%	-*
Southern Cross Media Australia Holdings Pty Limited (SCMH)		Australia	Ordinary	100%	100%
Southern Cross Media Australia Pty Limited (SCM) and controlled entities		Australia	Ordinary	100%	100%
Available for Sale Financial Assets					
ACM Newspaper Holdings LLC and controlled entities (ACM)	(a)	U.S.A	Ordinary	10%	100%

The proportion of voting ownership interest is equal to the proportion of voting power held unless otherwise indicated. In particular the 10% ownership interest in ACM at 30 June 2010 is a non-voting equity interest.

** Corporatisation*

On 17 December 2009 SCMG security holders voted in favour of the Corporatisation and various changes of name for the entities within the Group (to remove references to Macquarie) and “Macquarie Media Group” became known as “Southern Cross Media Group”.

On 18 March 2010, SCMG completed the Corporatisation, simplifying its corporate structure by converting from a triple stapled structure to a single holding company, SCMGL. All former SCMG stapled security holders now hold the same number of SCMGL shares as the number of stapled securities they held prior to the Corporatisation. Following Corporatisation, SCMT and SCMIL are now controlled entities of SCMGL.

The benefits of the Corporatisation include creating a simplified structure that is expected to have greater appeal to a broader range of investors, to allow for unification under one board of directors and to provide for a simpler governance structure and simpler financial reporting requirements. All future dividends will be paid out of SCMGL.

Notes

(a) On 30 June 2010, SCMG announced that ACM had entered into a restructuring agreement (“Agreement”) with its lenders due to ACM’s breach of certain covenants under its USD$133.7 million business level bank facility. Under this Agreement, ACM lenders acquired a 90% equity interest and 100% of control of ACM, while SCMG has retained a 10% non-voting equity interest in ACM. SCMG is released from all claims attaching to the ACM facility and the SCMG has not provided any guarantees or security in favour of ACM or its lenders. SCMG’s remaining 10% non-voting equity interest in ACM has been classified as an available for sale investment and at 30 June 2010, the fair value of which was nil.

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17 Current Liabilities – Distribution Payable

	Consolidated	
	SCMG As at 30 June 10 $'000	SCMG As at 30 Jun 09 $'000
Balance at the beginning of the financial year	6,117	48,252
Provided for during the year	13,259	15,789
Paid during the year	(19,376)	(57,924)
Balance at the end of the financial year	-	6,117

18 Current Liabilities – Payables

	Consolidated	
	SCMG As at 30 Jun 10 $'000	SCMG As at 30 Jun 09 $'000
Trade creditors	6,576	9,101
GST payable	2,532	1,940
Other payables including accrued expenses	46,179	50,599
Deferred income	901	4,811
	56,188	66,451

19 Current Liabilities – Provisions

	Consolidated	
	SCMG As at 30 Jun 10 $'000	SCMG As at 30 Jun 09 $'000
Employee benefits	10,180	10,028

20 Borrowings

(a) Total interest bearing liabilities

Current borrowings

		Consolidated	
	Note	SCMG As at 30 Jun 10 $'000	SCMG As at 30 Jun 09 $'000
Secured			
Bank facilities	(b)	-	174,171
Lease liabilities	(b)	281	234
Total secured current interest bearing liabilities		281	174,405

Non-current borrowings

		Consolidated	
	Note	SCMG As at 30 Jun 10 $'000	SCMG As at 30 Jun 09 $'000
Secured			
Bank facilities	(b)	287,237	852,393
Lease liabilities	(b)	307	340
Total secured non-current interest bearing liabilities		287,544	852,733
Total		287,825	1,027,138

20 Borrowings (continued)

(b) Bank facilities and assets pledged as security

The bank term facilities of Southern Cross Media Australia Pty Ltd ("SCM") are secured by a fixed and floating charge over the assets and undertakings of SCM and its wholly-owned subsidiaries and also by a mortgage over shares in SCM. These facilities mature on 10 March 2014 and have a variable interest rate of 8.39%. These facilities are denominated in Australian dollars.

As at 30 June 2009, the USD borrowings were secured by a fixed and floating charge over assets and undertakings of American Consolidated Media LLC and its subsidiaries and had a variable interest rate of a margin plus LIBOR. On 30 June 2010 ACM entered into a restructuring agreement with its lenders and at 30 June 2010 the Group has deconsolidated its investment in ACM and has only retained a 10% non-voting equity interest in ACM.

As is customary with secured finance facilities, there are certain financial and non-financial covenants which are required to be met by subsidiaries in SCMG. One of these covenants is an undertaking that the subsidiary is in compliance with the requirements of the facility before any amount may be distributed to the benefit of the Ultimate Parent Entity.

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Consolidated	
	SCMG As at 30 Jun 10 $'000	SCMG As at 30 Jun 09 $'000
Current		
Floating charge		
Cash and cash equivalents	29,243	15,842
Receivables	83,852	92,985
Inventories	-	2,355
Total current assets pledged as security	113,095	111,182
Non-current		
Registered mortgage		
Freehold land and buildings	-	13,195
Floating charge		
Receivables	-	147,610
Investments accounted for using the equity method	29,643	29,503
Plant and equipment	147,933	170,659
Intangible assets	1,064,768	1,316,446
Other assets	477	23,750
Total non-current assets pledged as security	1,242,821	1,701,163
Total assets pledged as security	1,355,916	1,812,345

20 Borrowings (continued)

(c) Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

	Consolidated	
	SCMG	SCMG
Consolidated	As at 30 Jun 10 $'000	As at 30 Jun 09 $'000
Bank facilities	375,000	1,189,117
Used at balance date	(300,000)	(1,038,263)
Unused at balance date	75,000	150,854

Subject to the conditions of the bank facility agreements being met, the unused bank facilities at 30 June 2010 may be drawn at any time. The bank facilities for SCMG mature on 10 March 2014 for SCM. The Group's bank facilities are denominated in US dollars and Australian dollars as at 30 June 2009 and in Australian dollars as at 30 June 2010.

21 Non-Current Liabilities – Provisions

	Consolidated	
	SCMG	SCMG
	As at 30 Jun 10 $'000	As at 30 Jun 09 $'000
Employee benefits	1,454	1,528
Make good	2,238	2,238
	3,692	3,766

Movements in provisions, other than provisions for employee benefits, are set out below:

	Consolidated	
	SCMG	SCMG
	As at 30 Jun 10 $'000	As at 30 Jun 09 $'000
Make good provisions		
Balance at the beginning of the financial year	2,238	2,472
Movements in the year	-	(234)
Balance at the end of the financial year	2,238	2,238

22 Non-Current Liabilities – Deferred Tax Liabilities

	Consolidated	
	SCMG	SCMG
	As at 30 Jun 10 $'000	As at 30 Jun 09 $'000
The balance comprises temporary differences attributable to:		
Temporary differences between accounting carrying values of licences/mastheads and tax cost base at date of acquisition	-	15,502
Other timing differences	159	438
	159	15,940
Offset against deferred tax asset	(159)	(196)
Net deferred tax liabilities	-	15,744
Movements:		
Balance at the beginning of the financial year	15,744	14,171
Charged/(credited) to the income statement – discontinued operations	(4,730)	(2,472)
Disposal of subsidiary	(9,846)	-
Foreign exchange movement – discontinued operations	(1,168)	4,045
Balance at the end of the financial year	-	15,744
Deferred tax liabilities to be settled after more than 12 months	-	-
Deferred tax liabilities to be settled within 12 months	-	15,744
	-	15,744

23 Retirement Benefit Obligations / Assets

(a) Retirement benefit plans

At 30 June 2010 and 30 June 2009 SCMG operated retirement benefit arrangements for all employees. SCM operates both a defined benefit scheme and a defined contributions scheme. ACM operated a defined contributions scheme. Eligibility for participation in each of the plans is governed by employment and related law in the country of employment for employees of the Group. The defined contribution scheme receives fixed contributions from relevant SCMG companies and SCMG's legal or constructive obligation is limited to these contributions.

SCM has a defined benefit superannuation fund, the Southern Cross Superannuation Fund (the "Fund"). Under the Fund, certain employees of Southern Cross Broadcasting (Australia) Pty Ltd, a subsidiary of SCM, after serving a qualifying period, are entitled to benefits on retirement, disability or death. The Fund is a sub plan of the Mercer Superannuation Trust and no longer accepts new members. Employees contribute to the fund at various percentages of their salaries. Relevant entities in SCM also contribute to the Fund at rates recommended by actuaries. SCMG has no legal obligation to contribute to the Fund over and above the legislated minimum level of superannuation support. An actuarial assessment of the Fund was made at 30 June 2010 by the actuary of the Mercer Super Trust.

The following sets out details in respect of the defined benefit scheme only.

23 Retirement Benefit Obligations / Assets (Continued)

(b) Balance sheet amounts

The amounts recognised in the balance sheet are determined as follows:

	Consolidated	
	SCMG	SCMG
	As at 30 Jun 10 $'000	As at 30 Jun 09 $'000
Present value of the defined benefit obligation	4,430	5,914
Fair value of defined benefit plan assets	(4,265)	(5,708)
Net liability/(asset)	165	206

SCMG has no legal obligation to settle any liability with an immediate contribution or additional once off contributions.

(c) Categories of plan assets and financial position of plan

The percentage invested in each asset class of the Fund at reporting date is as follows:

Australian equities	38%
Overseas equities	34%
Fixed interest securities	17%
Property	5%
Cash	4%
Other	2%

The expected return on assets assumption is determined by weighting the expected long-term return for each asset by the benchmark allocation of assets to each class. The returns used for each class are net of Investment tax and Investment fees.

(d) Reconciliations

	Consolidated	
	SCMG	SCMG
	As at 30 Jun 10 $'000	As at 30 Jun 09 $'000
Reconciliation of the present value of the defined benefit obligation		
Balance at the beginning of the financial year	5,914	7,678
Current service charge	235	277
Interest cost	284	425
Contributions by plan participants	99	149
Actuarial (gains)/losses recognised in year	133	(951)
Benefits paid	(2,174)	(1,574)
Premium and taxes paid	(61)	(90)
Balance at the end of the financial year	4,430	5,914
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the financial year	5,708	7,699
Expected return on plan assets	373	490
Contributions by employers	222	324
Contributions by plan participants	99	149
Benefits paid	(2,174)	(1,574)
Premium and taxes paid	(61)	(90)
Actuarial gains/(losses) recognised in year	98	(1,290)
Balance at the end of the financial year	4,265	5,708

The fair value of Plan assets include no amounts relating to any of the company's own financial instruments and any property occupied by, or other assets used by SCMG.

23 Retirement Benefit Obligations / Assets (continued)

(e) Amounts recognised in profit or loss

	Consolidated	
	SCMG As at 30 Jun 10 $'000	SCMG As at 30 Jun 09 $'000
Current service costs	235	277
Plan interest cost	284	425
Expected return on plan assets	(373)	(490)
Amount recognised in profit or loss	146	212

(f) Amounts recognised directly in equity

In SCMG, there were no actuarial gains or losses recognised directly in equity in the current year (2009: actuarial gain of $481,000). The cumulative actuarial loss recognised directly in equity for the SCMG is $339,000 (2009: $339,000).

(g) Principal actuarial assumptions

An actuarial review of the plan assets and liabilities is undertaken at least annually by the group. The last actuarial review was undertaken at 26 July 2010. The present values of employee benefits not expected to be settled within twelve months of balance date have been calculated using the following weighted averages for the retirement benefit obligations:

	Consolidated	
	SCMG As at 30 Jun 10	SCMG As at 30 Jun 09
Assumed rate of increase in wage and salary rates	4.00%	4.00%
Discount rate	4.60%	5.00%
Expected long-term rate of return on plan assets	6.80%	6.60%

(h) Employer contributions

SCMG's current contribution recommendations are 9% of salaries of defined benefit members. Productivity contributions, deemed member contributions and salary sacrifice member contributions are also payable where appropriate. The method used to determine the employer contribution was the entry age normal funding method. The method adopted affects the timing of the cost to the employer. Under the entry age normal method, a "normal cost" is calculated which is the estimated employer contribution rate required to provide benefits in respect of a typical new entrant to the Plan. The "normal" cost is adjusted to take into account any surplus (or deficiency) of the value of assets and future contributions over the value of future benefits for existing members. Any surplus or deficiency can be used to reduce or increase "the normal" employer contribution rate over a suitable period of time.

24 Contributed Equity

	Consolidated	
	SCMG As at 30 Jun 10 $'000	SCMG As at 30 Jun 09 $'000
Ordinary shares	1,225,400	941,415
Contributed equity	1,225,400	941,415

24 Contributed Equity (continued)

	Consolidated	
	SCMG 1 Jul 09 - 30 Jun 10 $'000	SCMG 1 Jul 08 - 30 Jun 09 $'000
On issue at the beginning of the financial year	941,415	971,244
Issue of stapled securities in relation to vested ACM employee shares (29 August 2008)	-	1,658
Issue of stapled securities in relation to vested ACM employee shares (3 March 2009)	-	80
Issue of stapled securities in relation to vested ACM employee shares (11 March 2010)	37	-
Securities issued during the year due to Corporatisation	-	-
Capital Raising	293,584	-
Buy-backs	(2,205)	(30,494)
Costs of raising capital / buy-backs	(7,431)	(1,073)
On issue at the end of the financial year	1,255,400	941,415

	Consolidated Number of securities	
	SCMG As at 30 Jun 10 '000	SCMG As at 30 Jun 09 '000
On issue at the beginning of the financial year	190,998	214,452
Issue of stapled securities in relation to vested ACM employee shares (29 August 2008)	-	475
Issue of stapled securities in relation to vested ACM employee shares (3 March 2009)	-	19
Issue of stapled securities in relation to vested ACM employee shares (11 March 2010)	9	-
Capital Raising	189,409	-
Buy-backs	(1,588)	(23,948)
On issue at the end of the financial year	378,828	190,998

(a) Securities on issue

Ordinary units in SCMGL

Ordinary shares entitle the holder to participate in distributions and the proceeds on winding up of SCMGL in proportion to the number of and amounts paid on the shares held.

On a show of hands, each shareholder present in person and each other person present as a proxy has one vote and upon a poll, each share is entitled to one vote.

(b) Distribution and dividend reinvestment plan ("DRP")

The Group has established a distribution and dividend reinvestment plan under which holders of shareholders may elect to have all or part of their dividend entitlements satisfied by the issue of new shares rather than being paid in cash. Shares are issued under the DRP at the weighted average market price calculated over a pricing period. A discount of not more than 10% as determined by the directors can be applied to the DRP price. No discount has been applied to date.

On 16 December 2009 SCMG announced that the DRP would continue to be suspended in relation to the interim distribution for the 6 months ended 31 December 2009.

(c) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, buy back existing shares or sell assets to reduce debt.

25 Reserves and other equity transactions

(a) Reserves

	Consolidated SCMG As at 30 Jun 10 $'000	Consolidated SCMG As at 30 Jun 09 $'000
Balance of reserves		
Capital reserve (i)	-	(99,087)
Foreign currency translation reserve (ii)	-	(1,347)
Share-based payments reserve (iii)	-	131
Retirement benefit reserve (iv) (note 23)	(339)	(339)
	(339)	(100,642)
(i) Capital reserve		
Balance at the beginning of the financial year	(99,087)	(37,402)
Transfer to / (from) retained earnings	99,087	(61,685)
Balance at the end of the financial year	-	(99,087)
(ii) Foreign currency translation reserve – discontinued operations		
Balance at the beginning of the financial year	(1,347)	(10,026)
Net foreign exchange differences on translation of foreign subsidiaries	12,253	8,679
Transfer to income statement on loss of control of foreign subsidiary	(10,906)	-
Balance at the end of the financial year	-	(1,347)
(iii) Share-based payments reserve		
Balance at the beginning of the financial year	131	1,778
Employee security entitlement	29	91
Transferred to contributed equity	(37)	(1,738)
Cancellation of options	(123)	-
Balance at the end of the financial year	-	131
(iv) Retirement benefit reserve		
Balance at the beginning of the financial year	(339)	(820)
Actuarial gain / (loss)	-	481
Balance at the end of the financial year	(339)	(339)

Nature and purpose of reserves

(i) Capital reserve

The capital reserve represents the amounts transferred previously to or from the undistributed operating result to allow distributions from SCMT to be made in accordance with SCMT's Constitution.

(ii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in note 1(c). This balance has been written off to the Statement of Comprehensive Income as part of the gain on loss on control of a foreign subsidiary as described in note 5.

25 Reserves and other equity transactions (continued)

(a) Reserves (continued)

(iii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of future potential shares to be issued to employees for no consideration. During 2010, entitlement to some of these shares has been granted and 9,490 (2009: 493,447) securities have been issued. On loss of control of ACM at 30 June 2010 the vesting conditions attached to this arrangement will not be met resulting in a write off of this reserve. As a result of this write off a net gain of $94,000 was recognised in the current year profit and loss of SCMG (2009: $89,860).

(b) Other equity transactions

	Consolidated	
	SCMG As at 30 Jun 10 $'000	SCMG As at 30 Jun 09 $'000
Other equity transactions		
Reverse acquisition	(77,406)	(77,406)

On 23 November 2005, in connection with the initial public offering of SCMG, SCMGL became the legal owner of all the issued shares of Southern Cross Media Australia Holding Pty Limited ("SCMAHL"). SCMAHL is the holding company for the Southern Cross Media ("SCM") group of companies operating, at that time, commercial radio broadcasting stations throughout Australia. As set out in note 1(b), in accordance with the requirements of AASB 3 *Business Combinations*, this transaction is accounted for as a reverse acquisition. SCMAHL is the deemed accounting acquirer of SCMGL and SCMG. Under the terms of the arrangement with the vendor, SCMGL was required to pay $77.4 million for the transfer of the shares.

26 (Accumulated Losses) / Retained Profits

	Consolidated	
	SCMG As at 30 Jun 10 $'000	SCMG As at 30 Jun 09 $'000
Balance at the beginning of the financial year	79,458	118,130
Loss result attributable to security holders	(82,676)	(84,568)
Transfer to / (from) capital reserve	(99,087)	61,685
Distributions/dividends provided for or paid	(13,259)	(15,789)
Balance at the end of the financial year	(115,564)	79,458

27 Earnings per Share

	Consolidated SCMG 2010 Cents	Consolidated SCMG 2009 Cents
(a) Basic earnings / (loss) per share / stapled security		
From continuing operations attributable to the ordinary equity holders of SCMGL / stapled security holders	6.18	7.20
From discontinued operation	(31.85)	(39.84)
Total basic loss per share attributable to the ordinary equity holders of SCMGL / stapled security holders	(25.67)	(32.64)
(b) Diluted earnings / (loss) per share / stapled security		
From continuing operations attributable to the ordinary equity holders of SCMGL / stapled security holders	6.18	7.20
From discontinued operation	(31.85)	(39.84)
Total diluted loss per share attributable to the ordinary equity holders of SCMGL / stapled security holders*	(25.67)	(32.64)

(c) Reconciliation of earnings used in calculating basic & diluted earnings per share / stapled security

	2010 $'000	2009 $'000
Basic and Diluted earnings per share / stapled security*		
Profit / (Loss) attributable to ordinary equity holders / stapled security holders:		
From continuing operations	19,903	18,640
From discontinued operation	(102,579)	(103,208)
	(82,676)	(84,568)

(d) Weighted average number of shares / stapled securities used as the denominator	Number	Number
Weighted average number of shares / stapled securities used as the denominator in calculating basic earnings per share	322,110,450	259,056,067
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share / stapled security	322,110,450	259,056,067

* SCMG's diluted EPS for 30 June 2009 does not include adjustments for Employee share entitlements as this would be anti-dilutive

28 Reconciliation of Profit after Income Tax to Net Cash Inflow from Operating Activities

	Consolidated	
	SCMG	SCMG
	1 Jul 09 - 30 Jun 10 $'000	1 Jul 08 - 30 Jun 09 $'000
(i) Reconciliation of net result from ordinary activities after income tax to net cash flows from operating activities		
Net loss	(82,676)	(84,568)
Impairment of investments and non-current assets	9,394	-
Impairment of goodwill	161,181	138,940
Depreciation and amortisation	30,139	31,471
Profit on sale of fixed assets/licences	(240)	(493)
Share of associates profits	(1,623)	(1,143)
Dividends received from associates	1,850	1,000
Fair value movements through profit and loss account	(22,624)	52,395
Net doubtful debt expense	-	2,350
Interest expense included in financing activities	75,962	103,147
Gain on loss of control of subsidiary	(75,227)	-
Movements in exchange rates	1,900	(45,005)
Change in assets and liabilities:		
(Increase)/decrease in receivables	(820)	7,143
(Increase)/decrease in inventory	493	275
(Increase)/decrease in deferred taxes	(1,712)	(37,877)
Increase/(decrease) in payables	4,199	(1,003)
Increase/(decrease) in provision for income tax	(137)	(626)
Increase/(decrease) in provisions	1,334	(509)
Net cash inflow from operating activities	101,393	165,497

(ii) Non cash investing and financing activities

Distribution and dividend reinvestment plan (DRP)

On 16 December 2009, SCMG announced that the DRP would continue to be suspended in relation for the distribution for the six months ended 31 December 2009.

29 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures.

The Risk Management Policy and Framework is carried out by management under policies approved by the Board. Senior Management of the Group identify, quantify and qualify financial risks as part of developing and implementing the risk management process. The Risk Management Policy and Framework is a written document, approved by the Boards that outlines the financial risk management process to be adopted by management. Specific financial risks that have been identified by the Group are:

(a) Market risk

Market risk is the exposure to adverse changes in the value of trading portfolios as a result of changes in market prices or volatility:

(i) foreign exchange risk: changes in spot and forward exchange rates and the volatility of exchange rates;

(ii) cash flow and fair value risk: changes in interest rates.

(i) Foreign exchange risk

Foreign exchange risk arises when recognised assets and liabilities and future commercial transactions are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Monetary items are converted to the Australian Dollar ("AUD") at the rate of exchange ruling at the financial reporting date. Derivative instruments are valued with reference to forward exchange rates from the year-end to settlement date, as provided by various financial institutions.

The Group operated internationally and was principally exposed to foreign exchange risk arising from currency exposures to the United States Dollar ("USD") from the operations of the ACM group of companies up to 30 June 2010 when ACM was deconsolidated. With the deconsolidation of ACM, the Group is no longer exposed to fluctuations in the USD and as a result the table below outlines comparative information only.

In assessing foreign exchange risk, management assumed a +/-17.1% movement in the AUD to USD exchange rate from the spot rate at 30 June 2009. The below tables display the balances for financial instruments that would be recognised in profit or loss for a movement of +/-17.1% of the AUD to USD exchange rate. Management has determined a +/-17.1% movement in the AUD to USD exchange rate to be an appropriate sensitivity following analysis of foreign exchange volatility for relevant currencies over the current year. Unless noted, there are no impacts directly on equity as a result of the movement in the Australian dollar.

	Carrying Value	Impact on post tax profits 30 June 2009	
	30 June 2009 $'000	+17.1% $'000	-17.1% $'000
Financial assets			
Cash at bank	3	-	1

29 Financial Risk Management (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long term borrowings which are taken out at variable interest rates and therefore expose the Group to a cash flow risk. The Group does not have a formal policy to fix rates on its borrowings but manages its cash flow interest rate risk by using variable to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from variable rates to fixed rates. Generally, the Group raises long term borrowings at variable rates and swap them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and variable rate interest amounts calculated by reference to the agreed notional principal amounts. These interest rate swaps also expose the Group to fair value risk. Refer to note 10 for further disclosure in relation to these interest rate swaps and the exposure to unhedged borrowings.

In assessing interest rate risk, management has assumed a +/- 150 basis point movement (2009: 161 basis points) in the relevant interest rates at 30 June 2010 for financial assets and liabilities denominated in AUD. With the deconsolidation of ACM at 30 June 2010 the Group is no longer exposed to interest rate risk on balances denominated in USD. As a result the table below includes comparative information only and assumes a +/- 207* basis point movement in the relevant interest rates at 30 June 2009 for financial assets and liabilities denominated in USD. The following tables illustrate the impact on profit or loss with no impact directly on equity for SCMG.

SCMG USD exposures	Carrying Value 30 June 2009 $'000	Impact on post tax profits 30 June 2009 +/- 207 basis points $'000	 $'000
Financial assets			
Cash at bank	3,621	75	(75)
Interest rate swaps *	(5,664)	2,392	(1,104)
Borrowings	(165,763)	(3,431)	3,431

* At 30 June 2009 the downward variance for the USD 90 day LIBOR sensitivity analysis is less than the upward variance in recognition of proximity of rates to long term lows.

SCMG	Carrying Value		Impact on post tax profits 30 June 2010		Impact on post tax profits 30 June 2009	
	30 June 2010	30 June 2009	+/- 150 basis points		+/- 161 basis points	
AUD exposures	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Cash at bank	38,116	343,449	572	(572)	5,530	(5,530)
Interest rate swaps	(5,392)	(31,771)	(7,444)	7,597	12,246	(12,651)
Borrowings	(300,000)	(872,500)	(4,500)	4,500	(14,047)	14,047

For details of the interest rate risk exposures, and the Group's interest rate swaps refer to note 10.

29 Financial Risk Management (continued)

(b) Credit risk

Credit risk is the risk of a counterparty failing to complete its contractual obligations when they fall due.

SCMG has policies in place to ensure that cash deposits are appropriately spread between counterparties with acceptable credit ratings.

Potential areas of credit risk consist of cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions as well as credit exposures to committed transactions. SCMG limits its exposure in relation to cash balances by only dealing with well established financial institutions of high quality credit standing and investing in investment grade commercial paper. SCMG only accepts independently rated parties with minimum ratings. The board of SCMGL from time to time sets exposure limits to financial institutions and these are monitored on an on-going basis.

Aging analysis of assets past due but not impaired and impaired assets

The tables below summarise the aging analysis of assets past due but not impaired and impaired assets as at 30 June.

As at 30 June 2010	Current 0 – 30 days $'000	Past due 30 – 60 days $'000	Past due 60 – 90 days $'000	Past due >90 days $'000	Total $'000
SCMG					
Trade receivables	37,954	30,328	4,091	4,518	76,891
Provision for doubtful debts	-	-	-	(1,128)	(1,128)

As at 30 June 2009	Current 0 – 30 days $'000	Past due 30 – 60 days $'000	Past due 60 – 90 days $'000	Past due >90 days $'000	Total $'000
SCMG					
Trade receivables	58,934	10,261	4,182	8,823	82,200
Provision for doubtful debts	(57)	(77)	(110)	(2,726)	(2,970)

Due to the large number of low value receivables in the SCMG entities, there is no significant concentration of credit risk by counterparty or industry grouping.

(c) Liquidity risk

Liquidity risk is the risk of an entity encountering difficulty in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group and Company have a prudent liquidity management policy which manages liquidity risk by monitoring the stability of funding, surplus cash or near cash assets, anticipated cash in and outflows and exposure to connected parties.

Undiscounted future cash flows

The tables below summarise the maturity profile of the financial liabilities as at 30 June based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were given immediately.

29 Financial Risk Management (continued)

(c) Liquidity risk (continued)

As at 30 June 2010	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-5 years $'000	Greater than 5 years $'000
SCMG					
Lease liabilities	281	78	134	95	-
Borrowings – Principal				300,000	-
Interest cashflows	23,779	23,212	23,212	16,090	-
Derivative financial instruments	1,058	3,422	1,381	375	-
Payables	56,188				-

As at 30 June 2009	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-5 years $'000	Greater than 5 years $'000
SCMG					
Lease liabilities	234	192	37	105	5
Borrowings – Principal	175,176	863,087	-	-	-
Interest cashflows*	58,738	16,425	-	-	-
Derivative financial instruments	31,845	6,140	172	-	-
Payables	54,527	-	-	-	-

* calculated using a weighted average interest rate (blend of interest rate swaps and variable interest)

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

As of 1 July 2009, SCMG has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

(c) Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables present the Group's assets and liabilities measured and recognised at fair value at 30 June 2010.

SCMG – at 30 June 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Derivatives used for hedging	-	5,392	-	5,392
Total Liabilities	-	5,392	-	5,392

SCMG – at 30 June 2009	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Derivatives used for hedging	-	37,435	-	37,435
Total Liabilities	-	37,435	-	37,435

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. The fair value of interest rate swaps are calculated as the present value of the estimated future cash flows and are included in level 2 under derivative financial instruments.

30 Parent Entity Financial Information

(a) Summary financial information

The following aggregate amounts are disclosed in respect of the Parent Entity, SCMGL:

Statement of Financial Position	30 Jun 10 $'000	30 Jun 09 $'000
Current assets	7,944	15,072
Non-current assets	1,091,153	707,909
Total assets	1,099,097	722,981
Current liabilities	3,123	106,315
Non-current liabilities	-	684,101
Total liabilities	3,123	790,416
Equity		
Issued capital	1,127,811	4,469
Retained earnings	(31,837)	(71,904)
	1,095,974	(67,435)
Profit / (loss) for the year	(115,898)	(56,098)
Total comprehensive income/(loss)	(115,898)	(56,098)

(b) Guarantees entered into by the Parent Entity

	30 Jun 10 $'000	30 Jun 09 $'000
Carrying amount included in current liabilities	-	-
	-	-

The Parent Entity has not provided any financial guarantees in respect of bank overdrafts and loans of subsidiaries as at 30 June 2010 (30 June 2009 – nil). The parent entity has not given any unsecured guarantees at 30 June 2010 (30 June 2009 - nil).

(c) Contingent liabilities of the parent entity

The Parent Entity did not have any contingent liabilities as at 30 June 2010 (30 June 2009: $nil).

(d) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2010, the Parent Entity had no contractual commitments (30 June 2009: $nil).

31 Related Party Disclosures

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Key Management Personnel

The following persons were Key Management Personnel of SCMGL during the whole of the year, unless otherwise stated and up to the date of this report:

Directors

— Max Moore-Wilton (Chairman)
— Leon Pasternak
— Chris de Boer
— Tony Bell
— Michael Carapiet (Alternate to Max Moore-Wilton)
— John Roberts (Alternate to Max Moore-Wilton) (Resigned on 10 March 2010)

Executives

— Rhys Holleran (CEO – SCMG) (transferred to Group 1 April 2010)
— Stephen Kelly (CFO – SCMG) (appointed 21 April 2010)
— Kym Gallagher (CFO – SCM) (transferred to Group 1 April 2010)
— Greg Dodgson (COO – SCM)
— Jeremy Simpson (Group National Sales Director – SCM)

During the year, no Key Management Personnel of SCMGL has received or become entitled to receive any benefit because of a contract made by SCMG with a Key Management Personnel or with a firm of which a Key Management Personnel is a member, or with an entity in which the Key Management Personnel has a substantial interest except on terms set out in the governing documents of the Groups or as disclosed in this financial report.

(a) Key Management Personnel compensation

The aggregate compensation of Key Management Personnel of the group is set out below:

	Consolidated	
	SCMG	SCMG
	1 Jul 09 - 30 Jun 10 $	1 Jul 08 - 30 Jun 09 $
Short-term employee benefits	2,752,092	109,280
Post-employment benefits	92,370	47,970
Other long-term benefits	(370)	-
	2,844,092	157,250

(b) Loans to Key Management Personnel

There were no loans made to Key Management Personnel (2009: nil).

31 Related Party Disclosures (continued)

Key Management Personnel (continued)

(c) Key Management Personnel equity holdings

The number of ordinary shares in the Company held during the financial year by Key Management Personnel of SCMGL, including their personally related parties, are set out below. There were no shares granted during the period as compensation (2009: nil) and there are no share options (2009: nil).

2010	Balance at start of year	Changes during year	Balance at end of year
Directors			
Max Moore-Wilton	688,517	311,483	1,000,000
Leon Pasternak	359,849	159,344	519,193
Chris de Boer	40,000	40,000	80,000
Tony Bell	70,000	70,000	140,000
Michael Carapiet	309,050	309,050	618,100
John Roberts	500,000	n/a	n/a
Executives			
Rhys Holleran	-	20,000	20,000
Stephen Kelly	-	-	-
Kym Gallagher	39,748	-	39,748
Greg Dodgson	-	-	-
Jeremy Simpson	-	-	-
	2,007,164	909,877	2,417,041

2009	Balance at start of year	Changes during year	Balance at end of year
Directors			
Max Moore-Wilton	300,000	388,517	688,517
Leon Pasternak	99,344	260,505	359,849
Chris de Boer	10,000	30,000	40,000
Tony Bell	-	70,000	70,000
Michael Carapiet	250,000	59,050	309,050
John Roberts	500,000	-	500,000
Executives *			
	1,159,344	808,072	1,967,416

** No executives were identified as key management personnel within the 2009 financial statements.*

(d) Other transactions with Key Management Personnel

The Group paid $16,408 (2009: $499,226) for legal advisory services to Freehills, which is a director-related entity.

There were no other transactions with Key Management Personnel.

31 Related Party Disclosures (continued)

Subsidiaries and Associates

Ownership interests in subsidiaries are set out in note 16. Details of interests in associates and distributions received from associates are disclosed in note 12.

Internalisation

On 17 December 2009 SCMG security holders voted overwhelmingly in favour of the Internalisation following the unanimous recommendation of the Independent Directors of SCMG and the conclusion by the Independent Expert, Ernst & Young Transaction Advisory Services Limited, that the proposal was fair and reasonable to SCMG security holders other than the Macquarie Group ("Macquarie") and its associates.

As consideration for the termination of Macquarie's existing management rights, SCMG paid Macquarie $40.5 million cash and certain transitional services will be provided to SCMG by Macquarie.

Former Responsible Entity

Southern Cross Media No.5 Limited ("SCM5") (formerly Macquarie Media Management Limited), a wholly owned subsidiary of Macquarie Group Limited ("Macquarie Group") up to the 10 March 2010 (the date of the Internalisation), was the manager of SCMGL, responsible entity of SCMT and manager of SCMIL (up to 18 March 2010, the date of the Corporatisation).

Former Responsible Entity/Manager's fees

Base management fees paid to the former Responsible Entity/Manager (SCM5) from SCMG were $4,577,521 during the year ended 30 June 2010 (2009: $1,332,305). SCMT's share was $3,987,796 (2009: $982,116) and SCMIL's share was $589,725 (2009: $341,988) and SCMGL's share was nil (2009: $8,201).The base fee was calculated as 1.50% per annum of the net investment value of SCMG at the end of each quarter up to the date of Internalisation of 10 March 2010.

Performance fees paid or payable to the Responsible Entity/Manager were nil (2009: nil) during the year.

Termination fee

SCMG paid Macquarie $40.5 million on 10 March 2010 to terminate its management arrangement with Macquarie (the "Internalisation").

Custodian's fees

Under the terms of the Custody Agreements with Trust Company Limited, fees paid or payable to the Custodian by the Group were $83,491 (2009: $94,457).

Other related party transactions

During the year, the former Responsible Entity received or was entitled to receive $3,206,942 (2009: $12,450,314) as distributions on stapled securities held.

At 30 June 2010, the Group had funds totalling $8,872,182 (2009: $33,199,501) on deposit with the Macquarie Group. SCMG earns interest on deposits at commercial rates. Interest income from deposits with the Macquarie Group included in the determination of the net result from ordinary activities for the year for SCMG was $215,222 (2009: $491,463).

During the year SCMG reimbursed the Macquarie Group $195,110 (2009: $614,636) representing out-of-pocket expenses incurred by the former Responsible Entity/Manager in the performance of its duties.

A subsidiary of SCMG had entered into an Asset Advisory Agreement with Macquarie Diversified Asset Advisory Pty Limited ("MDAA"), a member of the Macquarie Group. Due to the Internalisation of the management of the Group on 10 March 2010, this asset advisory agreement was terminated.

During the year ended 30 June 2010, the employment costs associated with certain employees of American Consolidated Media reimbursed by SCMG was nil (2009: $2,431,776).

31 Related Party Disclosures (continued)

Redeemable preference shares

SCMGL issued 519,000,000 redeemable preference shares to SCMT on 17 November 2005, which were redeemable on the date 17 years after the issue date of the shares, provided that any redemption must be effected in accordance with the Corporations Act 2001. A further 231,397 were issued on 30 June 2006 with the same terms and were redeemable on the date 17 years after the date of issue of the shares. At 30 June 2009 the carrying values of these redeemable preference shares were written down by $87.8 million to their recoverable amount and approximated their fair value. The redeemable preference shares were cancelled for nil consideration on 18 March 2010 (date of the Corporatisation). The holders of the shares had the right to receive a fixed cumulative dividend at a rate of 13% per annum on the capital paid up and any unpaid dividends, on the shares. Fixed cumulative dividends at the date of cancellation were $57,225,812.

Related party transactions associated with the Buy Back Program

In the year ended 30 June 2010, the Group paid Macquarie Group $4,850 (2009: $294,010) representing brokerage and advisory fees related to the Buy Back Program for SCMG.

Related party transactions associated with the Recapitalisation.

In the year ended 30 June 2010, the Group paid Macquarie Group $3,010,981 (2009: nil) representing underwriting fees relating to the Recapitalisation for SCMG.

Related party transactions associated with the refinancing of external finance facilities

SCM engaged Macquarie Capital Advisers Limited to advise on the refinancing of the external finance facilities of SCM. Amounts of $3,005,457 have been paid under this agreement in the year ended 30 June 2010 (2009: Nil).

Related party transactions associated with the restructure of the ACM Group

As part of the restructuring agreement between ACM and its banking syndicate, Macquarie Group were granted an ownership interest in the ACM Group for nil consideration.

All of the above amounts represent transactions on normal commercial terms made in relation to the provision of goods and services.

32 Segment Information

(a) Description of segments

The Group has adopted AASB 8 *Operating Segments* with effect from 1 July 2009. 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.

Management has determined operating segments based on the information reported to the SCMG CEO and the SCMGL Board of Directors ("SCMGL Board"). Management has determined that the SCMG business has two operating segments being the free to air commercial radio and television broadcasting ("free to air broadcasting") segment included in the SCM group of companies and the community newspapers segment included in the ACM group of companies.

This determination has resulted in no change to the operating segments as a result of the adoption of AASB 8.

Community Newspapers

The community newspapers businesses of ACM are located in the United States of America (USA). This segment became a discontinued operation on 30 June 2010. As a result the segment information within this note does not include any amounts for this discontinued operation, which is disclosed in further detail in note 5.

Free to air broadcasting

Free to air broadcasting consists of the commercial radio and television broadcast licences held throughout regional Australia.

With the discontinuation and disposal of the community newspaper segment, free to air broadcasting is the only remaining segment. As a result the information required to be disclosed per AASB 8 is contained on the face of the Statement of Comprehensive Income and the Statement of Financial Position.

Financial Report
for year ended 30 June 2010

33 Commitments

	Consolidated	
	SCMG	SCMG
	As at 30 Jun 10 $'000	As at 30 Jun 09 $'000
Capital commitments		
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	3,611	1,662
Later than one year but not later than 5 years	9,069	6,783
	12,680	8,445
Operating leases		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	14,210	14,975
Later than one year but not later than 5 years	39,512	32,329
Later than 5 years	24,179	26,076
	77,901	73,380
Finance lease payment commitments		
Finance lease commitments are payable as follows:		
Within one year	313	269
Later than one year but not later than 5 years	345	375
Greater than five years	-	-
	658	644
Less: Future lease finance charges	(70)	(70)
	588	574
Lease liabilities provided for in the financial statements:		
Current	281	234
Non-current	307	340
Total lease liability	588	574

34 Events Occurring after Balance Sheet Date

Since the end of the financial year the directors have recommended the payment of a final ordinary dividend of $23.5 million (6.2 cents per fully paid share). This dividend will be paid on 8 October 2010 by SCMGL

No other matters or circumstances have arisen since the end of the year that have significantly affected or may significantly affect the operations of SCMG, the results of these operations in future financial years or the state of affairs of those entities in periods subsequent to the year ended 30 June 2010.

Directors' Declaration

The Directors of the Company declare that:

1. in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

2. in the directors' opinion, the financial statements and notes as set out on pages 20 to 76 are in accordance with the *Corporations Act* 2001, including compliance with accounting standards and giving a true and fair view of financial position and performance of the company and the consolidated entity; and

3. the directors have been given the declarations required by section 295A of the *Corporations Act* 2001.

4. Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the Corporations Act.

On behalf of the Directors

Max Moore-Wilton	Chris de Boer
Chairman	Director
Sydney, Australia	Sydney, Australia
30 August 2010	30 August 2010

PRICEWATERHOUSECOOPERS

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

Report on the financial report

We have audited the accompanying financial report of Southern Cross Media Group Limited (the company), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Southern Cross Media Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements* that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Southern Cross Media Group Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 6 to 12 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Southern Cross Media Group Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Wayne Andrews

Wayne Andrews
Partner

Sydney
30 August 2010

Additional Stock Exchange Information

Additional Stock Exchange Information

Twenty Largest Shareholders at 19 July 2010:

	Fully Paid Ordinary Shares	% of Issued Capital
Macquarie Diversified Asset Advisory Pty Ltd	93,541,136	24.69
National Nominees Limited	56,067,817	14.80
J P Morgan Nominees Australia Limited	49,565,481	13.08
HSBC Custody Nominees (Australia) Limited	40,732,921	10.75
Brispot Nominees Pty Ltd	16,217,806	4.28
Citicorp Nominees Pty Ltd	14,318,827	3.78
ANZ Nominees Limited	8,277,591	2.19
CS Fourth Nominees Pty Ltd	5,554,110	1.47
Queensland Investment Corporation	3,597,447	0.95
Cladela Pty Ltd	3,447,130	0.91
Argo Investments Limited	3,360,422	0.89
Macquarie Capital Group Limited	3,120,198	0.82
AMP Life Limited	3,101,146	0.82
HSBC Custody Nominees (Australia) Limited – GSCO ECA	2,904,541	0.77
Smallco Investment Manager Limited	2,718,965	0.72
Australian Reward Investment Alliance	2,128,985	0.56
Cogent Nominees Pty Ltd	2,120,480	0.56
Cogent Nominees Pty Ltd	1,902,803	0.50
UBS Nominees Pty Ltd	1,881,634	0.50
Cladela Pty Ltd	1,800,000	0.48
	316,359,440	**83.52**

Additional Stock Exchange Information

Distribution of Shareholdings at 19 July 2010:

Range	No. of Shareholders	No. of Shares
1 – 1,000	809	409,131
1,001 – 5,000	2,550	7,506,102
5,001 – 10,000	1,095	8,550,019
10,001 – 100,000	1,010	24,030,707
100,001 and over	87	338,331,791
	5,551	**378,827,750**
Holding less than a marketable parcel	318	21,380

Substantial Shareholders at 19 July 2010:

	Fully Paid Ordinary Shares
Macquarie Diversified Asset Advisory Pty Ltd	93,541,136
National Nominees Limited	56,067,817
J P Morgan Nominees Australia Limited	49,565,481
HSBC Custody Nominees (Australia) Limited	40,732,921
	239,907,355

Corporate Directory

Corporate Directory

Company Secretary

Ms. L Bolger

Registered Office

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Share Registry

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