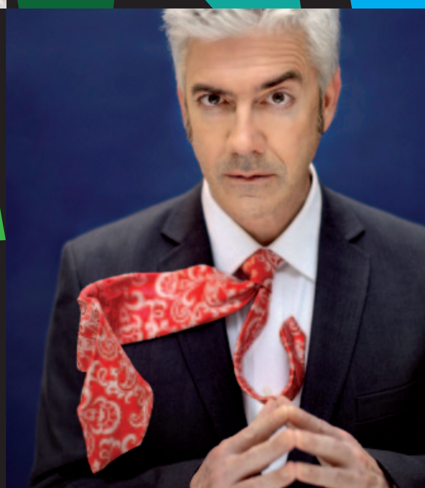
SOUTHERN CROSS AUSTEREO

ANNUAL REPORT 2011

SOUTHERN CROSS AUSTEREO

Contents

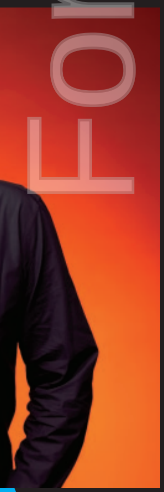
Southern Cross Media Group Limited
ABN 91 116 024 536



SOUTHERN CROSS MEDIA GROUP LIMITED WELCOMES YOU TO THE 2011 ANNUAL REPORT.

THE LAST YEAR WAS ONE OF THE MOST EXCITING IN OUR HISTORY. A YEAR WHERE WE ADDED AUSTRALIA'S BIGGEST AND MOST SUCCESSFUL METROPOLITAN RADIO NETWORK, AUSTEREO, TO AUSTRALIA'S LARGEST REGIONAL RADIO AND TELEVISION NETWORK, SOUTHERN CROSS. IN LAUNCHING SOUTHERN CROSS AUSTEREO WE HAVE CREATED THE MOST UNIQUE AND EXCITING AUSTRALIA-WIDE MULTI-MEDIA COMPANY COVERING APPROXIMATELY 98% OF AUSTRALIA'S POPULATION.

SOUTHERN CROSS AUSTEREO NOW INCLUDES 80 COMMERCIAL RADIO SERVICES, 21 COMMERCIAL TELEVISION LICENCES, THE LARGEST HOLDER OF DIGITAL RADIO SPECTRUM AND A SUBSTANTIAL ARRAY OF ON-LINE DIGITAL AND SOCIAL NETWORK OFFERINGS.



ONE COMPANY UNITED

SOUTHERN CROSS AUSTEREO IS FIRST IN MEDIA ENTERTAINMENT SOLUTIONS THROUGH BRAND OFFERINGS SUCH AS THE TODAY NETWORK, TRIPLE M LOCAL WORKS NETWORK, SOUTHERN CROSS TV, SOUTHERN CROSS TEN, DIGITAL TV BRANDS ELEVEN, ONE, 7 TWO AND 7 MATE, THE DIRT AND RADAR RADIO.

Television

COVERING 98% OF AUSTRALIANS

Southern Cross Austereo is a leading Australian broadcasting group with potential audience reach of over 98% of Australia via its commitment to developing and broadcasting some of the country's most engaging and exciting content

MARKET LEADING BRANDS

Southern Cross Austereo is proud to have an impressive portfolio of market leading brands that showcase a diversity of outstanding shows and talent

AUSTRALIA-WIDE SALES PROPOSITION

Our newly combined business will deliver a national advertising sales proposition to advertisers across both regional and metropolitan radio markets

COMPLEMENTARY CONTENT

Combining complementary content across national radio, regional free-to-air television and online platforms

Radio

Digital

UNIQUE CLIENT OPPORTUNITIES

We are uniquely able to offer advertisers access to national radio, regional free-to-air television and online platforms for integrated advertising campaigns

SYNERGIES AND OPERATIONAL IMPROVEMENTS

$12 million to $15 million in annual synergies and operational improvements

EXPANDED INTEGRATED MEDIA OFFERING

We have increased earnings through an expanded integrated media offering. We have increased our exposure to radio markets, and our free-to-air television offer continues to benefit from digital multi-channelling

NEW REVENUE OPPORTUNITIES

Revenue opportunities have been identified, such as using a broader programming base to enhance content nationally and delivering enhanced digital and online services and a broader radio offering to regional audiences

CHAIRMAN AND CEO'S REPORT

Dear Shareholders, we have pleasure in providing you with the Southern Cross Austereo Annual Report for the year ended 30 June 2011.

The financial year 2011 was one of great opportunity, where we emerged from the previous year's completed initiatives with more simplified financial structures which provided the strength and foundations upon which we acquired Austereo, Australia's most successful metropolitan radio network.

The acquisition of Austereo has been transformational for the Group. The combination of Southern Cross Media and Austereo has created one of Australia's leading media companies with a national footprint across both metropolitan and regional radio markets, as well as an integrated regional television offering.

The offer for Austereo was initially announced on 31 January 2011 and went unconditional on 29 March 2011, completing with 100% ownership on 17 May 2011. In order to achieve the acquisition we had the support of our shareholders via a 6 for 7 accelerated renounceable entitlement offer raising $471.6 million, as well as the opportunity to welcome new shareholders to the register during the process.

Whilst the acquisition of Austereo provided the major highlight, the operating performance was also very pleasing, with solid revenue growth and improving margins on all lines of the business.

The regional business produced revenue from operations of $428.3 million on a proportionately consolidated basis, up 2.8% from the prior year.

EBIT margins expanded and finished at 26.6% for the full year compared with 25.8% for the prior year.

The year was one of fluctuating fortunes and market conditions. In the first quarter, the success of the 2010 Masterchef series on Channel Ten, and positive sentiment about economic conditions, resulted in strong growth in both National and Local TV markets. Local radio conditions also showed positive signs. After a promising start a number of events subdued growth.

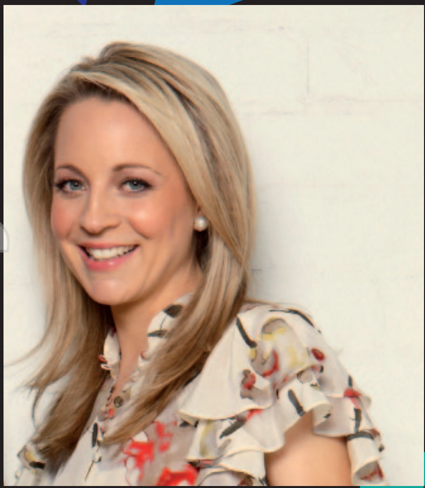
Channel Ten ratings became challenging and a series of natural disasters in Queensland and areas of regional NSW and Victoria had a dampening effect on revenue growth trajectory.

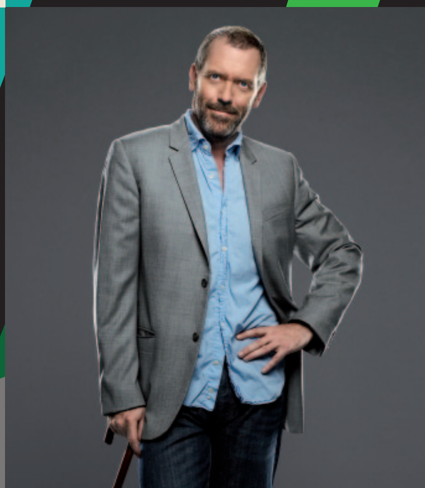
Stronger comparative prior periods began to pull back growth rates in the second half of the year. Regional Australia, particularly Queensland, suffered from poor economic conditions and sentiment. Channel Ten launched their third digital channel, 11, which has been successful. Changes to the ONE digital channel have also been moderately successful.

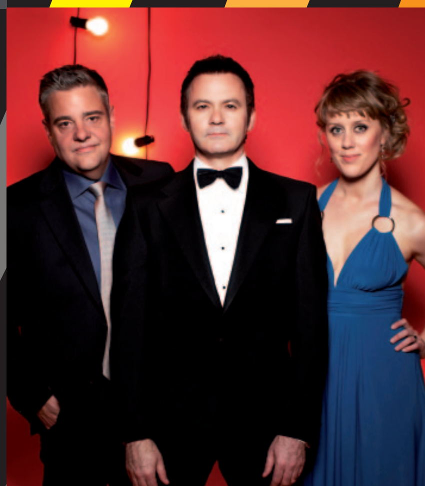
Overall radio once again showed resilience and stability in difficult circumstances and produced pleasing revenue growth of 5% year on year. In a challenging year for television ratings the business produced modest yet creditable growth in television revenue of 1.5% year on year.

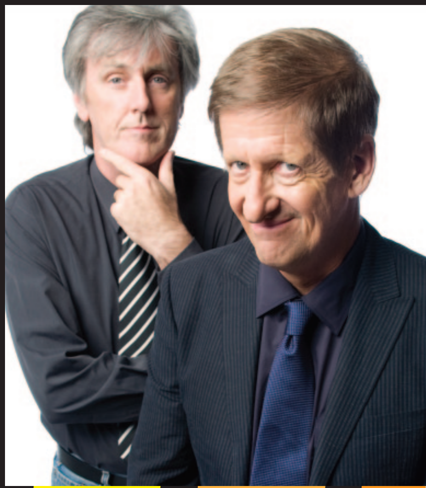
A hallmark of the regional business over the years has been cost management and costs were managed tightly to produce increases in EBIT margins.

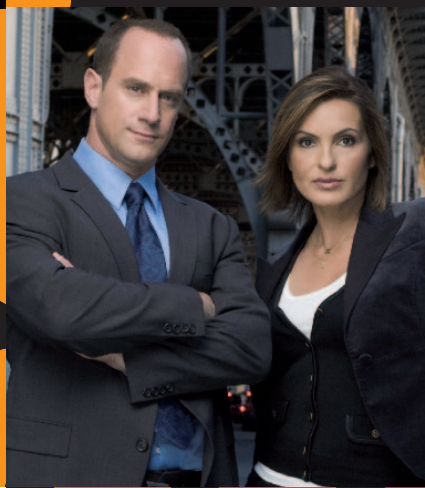
AUSTRALIA MEDIA OPERATIONS	JUNE 2011	JUNE 2010
Revenue ($m)	**502.1**	**416.7**
Expenditure ($m)	**(343.8)**	**(286.9)**
EBITDA ($m)	**158.3**	**129.8**
EBITDA Margin	**31.5%**	**31.1%**
EBIT ($m)	**136.1**	**107.7**
EBIT Margin	**27.1%**	**25.8%**
Dividend distribution (cents per share)	**10.0**	**9.7**

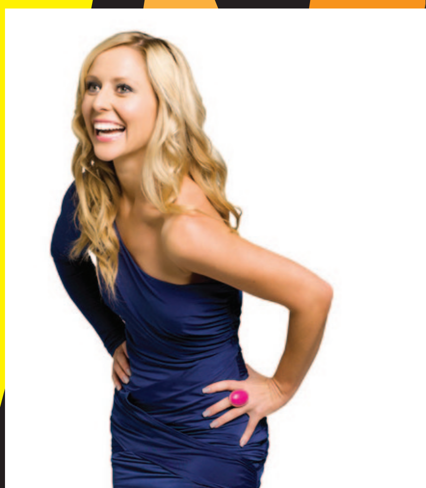












CHAIRMAN AND CEO'S REPORT CONTINUED

As commented on earlier, the acquisition of Austereo has added metropolitan commercial radio stations to the portfolio of regional radio stations and a well developed and progressive digital and online multi-media offering adds much needed breadth to the distribution networks of the business.

For the period 29 March 2011 to 30 June 2011 the acquired entity produced, on a proportionately consolidated basis, revenue from operations of $74.5 million, EBITDA of $24.6 million and EBIT of $22.1 million. EBIT margins for the three months of ownership finished at 29.7%.

The metro radio business has performed strongly since the change of ownership. The Today network has maintained its number one ranking as the leading commercial metropolitan radio network and MMM has improved ratings performance in the two leading markets of Sydney and Melbourne.

The integration of the two businesses has been very successful to date, which is a credit to the leadership teams of both entities who have worked collaboratively during the early stages of the integration process.

We look forward to building on the strengths of the two organisations to build one united Australian multi-media entertainment network.

As in past years we have proudly contributed to the communities of which we are a part through the provision of airtime and TV telecasts with which they can share their voice. The community conversation takes many forms and we are passionately supportive of the many ways our communities interact, including the facilitation of conversation through integrated media.
The cornerstone of our charitable contribution, Give Me 5 for Kids, raised in excess of $1.5 million for local regional hospitals. This work, among other charitable initiatives, will continue to be a key element of our connection with our communities.

The past year has once again been full of challenges and exciting opportunities which have been embraced with vigour by your management and Board. The addition of the best Australian metropolitan radio assets to the best regional multi-media network has established a network of assets that will provide much opportunity for the development of the business in future years.

On behalf of the Board of Directors we would like to thank our very talented and dedicated people who strive for excellence every day and continue to produce good results for all stakeholders.

We also would like to particularly thank our shareholders who have shown strong support this year, which has enabled the Group to emerge as the only truly National radio network and multi-media entertainment company.

MAX MOORE-WILTON
CHAIRMAN

RHYS HOLLERAN
CEO

502M

UNDERLYING OPERATING REVENUE UP 20.5%

158M

UNDERLYING OPERATING EBITDA UP 22.0%

68.5M

UNDERLYING OPERATING NPAT UP 31.0%

11.55c

EARNINGS PER SHARE FROM CONTINUING OPERATIONS UP 100%

COMMUNITY

Southern Cross Austereo is committed to positively influencing and giving back to the local communities in which it operates by developing community focused programs and fundraising initiatives that the entire company works towards.

Many individuals within Southern Cross Austereo perform voluntary roles for their charities of choice and on a whole the company dedicates its time and resources to some major fundraising initiatives each year. Below is an outline of the main community-focused activities that operate through the business nationally.

Give Me 5 For Kids

The annual Southern Cross Austereo Give Me 5 For Kids campaign is in its 16th year and sees each office in regional Australia partake in a month of fundraising activities both locally and nationally, with funds raised donated exclusively to local hospital children's wards. In July 2011, Southern Cross Austereo raised a record figure of $1,539,000 through instigating a variety of fundraising initiatives across its regional radio and television markets throughout Australia.

The company led a national celebrity cookbook initiative featuring recipes from favourites including Dr. Chris Brown, Lauren Jackson, Giaan Rooney, Matthew Hayden, Gina Jeffreys and Stephanie Gilmore.

Across the individual Southern Cross Austereo offices, additional fundraising highlights encompassed a state-wide telethon (Tasmania), a 50-hour non-stop live radio broadcast, an exclusive live concert with Adam Harvey, water-skiing, on-air auctions, a charity shave, and a 24-hour treadmill marathon.

St Vinnie's CEO Sleep Out

St Vinnies CEO Sleep Out began as a local community venture in Sydney's Parramatta in 2006. Since then, the event has raised important funds for Vinnies Homeless Services across New South Wales.

Vinnies place an emphasis on breaking personal cycles of poverty by helping people to learn to make better decisions through a range of education programs, recreation activities, and extensive information and referral services in a safe and supportive environment.

In 2010, CEO Rhys Holleran, and 14 Southern Cross Austereo managers participated in the St Vinnies CEO Sleep Out and raised nearly $60,000.

I Believe in Christmas

Southern Cross Austereo promotes the 'I Believe in Christmas' fundraising campaign to encourage local communities to donate toys and presents to those less fortunate.

In 2010, Southern Cross Austereo joined forces with its regular charity affiliate, the Salvation Army, to run a toy drive across regional Australia. The event proved a massive success, with the campaign producing double the amount of toys collected in 2009. The fundraiser provided 12,631 new and pre-loved toys to children in regional parts of Australia. The event is set to continue in 2011 with the collaboration of Southern Cross Austereo, the Salvation Army and additional partnering charities.

CEO SLEEP OUT

GIVE ME 5 FOR KIDS

I BELIEVE IN CHRISTMAS

FINANCIALS

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Notes to the Financial Statements

CORPORATE GOVERNANCE STATEMENT
FOR YEAR ENDED 30 JUNE 2011

This statement outlines Southern Cross Media Group Limited's corporate governance framework and practices in the form of a report against the Australian Stock Exchange ("ASX") Corporate Governance Principles and Recommendations, 2nd edition (Principles). Unless specified otherwise, all of the information contained in this statement is current as at 5 September 2011.

The Board of Southern Cross Media Group Limited is responsible for the corporate governance of Southern Cross Austereo, formerly known as Southern Cross Media Group ("the Group"), comprising Southern Cross Media Group Limited ("the Company") and its respective subsidiaries. The Board guides and monitors the business and affairs of the Company and the Group on behalf of shareholders, with management too recognising their responsibility in the implementation and maintenance of an effective system of corporate governance.

Principle 1: Lay Solid Foundations for Management and Oversight

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

Full Board meetings are held approximately ten times per year, 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 Chief Executive Officer ("CEO") in December 2009 and Stephen Kelly, the Chief Financial Officer ("CFO") was appointed in April 2010. The Nomination and Remuneration Committee reviews the performance of the CEO and CFO annually and reports 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.

Principle 2: Structure the Board to Add Value

Composition of Board

Name	Position
Max Moore-Wilton	Non-Executive Chairman (appointed 27 February 2007)
Leon Pasternak	Deputy Chairman and Lead Independent Director (appointed 26 September 2005)
Chris de Boer	Independent Director (appointed 20 September 2005)
Tony Bell	Independent Director (appointed 2 April 2008)
Michael Carapiet	Non-Executive Director (appointed 10 March 2010)
Peter Harvie	Non-Executive Director (appointed 1 August 2011)

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. Until the appointment of Peter Harvie as a director on 1 August 2011, the majority of the Board consisted of independent directors. As at the date of this report, half of the Board comprises independent directors. The Board announced on 2 August 2011 that, in conjunction with the appointment of Peter Harvie, it was seeking to appoint a further independent director which will ensure compliance with Recommendation 2.1 of the Principles.

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 Company has established an Independent Board Committee, comprising the independent board members, who meet as required to discuss relevant matters, particularly where there might be a conflict of interest with non-independent directors.

The Chairman of the Board 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 (comprising Macquarie Group Limited and its subsidiaries), which is the Company'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
The Company's Nomination and Remuneration 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 2011 financial year is set out in the Directors' Report.

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

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. Such evaluations took place in the early part of 2010.

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
The 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 government 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.

Diversity Policy
The Group is close to finalising its diversity policy and establishing its measurable objectives for achieving gender diversity. The Group will disclose its diversity policy, or a summary of that policy, on the ASX and its website once it has been approved by the Board. The Company's 2012 annual report will contain details on the Group's measurable objectives for gender diversity and its progress made towards meeting those objectives; and the proportion of women employed across the Group, at senior executive and at board level.

Securities Trading Policy
The Group Securities Trading Policy applies to directors and employees of the Company and the Group and restricts their ability to deal in the Company's securities. Trading in the Company's securities is not permitted during blackout periods. The blackout periods operate from 1 January until the day after half year results are released to the ASX and from 1 July until the day after full year financial results are released to the ASX. A blackout period also operates during the four weeks prior to the Annual General Meeting ("AGM") until the day after the AGM. Additional blackout periods may also operate when the 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
The Company's Audit and Risk Committee comprises three independent directors and complies with the requirements of the Principles. The chairman of the Board cannot chair the Audit and Risk Committee. Details of the members of the Audit and Risk Committee and their attendance at Committee meetings are set out in the Directors' Report.

The Audit and Risk Committee Charter is available on the Southern Cross Media Group 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 the Group's financial reporting. Amongst other things, the Committee:

- reviews and reports to the Board on the Company's and the Group'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 auditor's 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.

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 the Group's AGMs and is available to answer security holder questions on the conduct of the audit, and the preparation and content of the auditor's report.

CORPORATE GOVERNANCE STATEMENT
FOR YEAR ENDED 30 JUNE 2011

Principle 5: Make Timely and Balanced Disclosure
It is the Company's policy to provide timely, open and accurate information to its investors, regulators and the wider investment community.

The Company 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 Austereo company secretary.

Principle 6: Respect the Rights of Shareholders
The Company'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 on the Southern Cross Media Group website.

Investors are encouraged to attend the AGM which will be held in October 2011. 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 Group's systems of internal control and risk management. The Board has adopted a Risk Management Policy which is available from the Southern Cross Media Group website. The policy addresses the overseeing by the Board of the management of key business risks relevant to the Group.

The Audit and Risk Committee assist the Board in overseeing the risk management framework and any matters of significance affecting the Group'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 Group's senior management team has responsibility for the day-to-day implementation of the risk management framework and internal controls within the Group. Management also reports regularly to the Board through the CEO on the Group's key risks and the extent to which it believes these risks are being adequately managed.

The Group has not implemented an internal audit function. The Board believes that the nature of the Group'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.

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 Group'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 Group'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 Group'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 2011

The directors of Southern Cross Media Group Limited ("the Company") submit the following report for Southern Cross Austereo, formerly known as Southern Cross Media Group ("the Group"), being Southern Cross Media Group Limited and its subsidiaries for the year ended 30 June 2011. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The following persons were directors of the Company during the whole of the 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	
Peter Harvie	(appointed 1 August 2011)

Principal Activities

The principal activities of the Group during the course of the financial year were the broadcasting of free to air commercial TV and radio stations across Australia, advertising sales on TV and radio and management of online radio content. During the year, the Group acquired Austereo Group Limited ("Austereo"), a metropolitan free to air commercial radio broadcaster, details of which are outlined below under "Acquisition of Austereo".

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 profit after tax for the financial year was $53.3 million (2010: loss of $82.7 million). Excluding discontinued operations from prior year, the result is up 167.8%. Earnings before interest, taxation, depreciation and amortisation ("EBITDA") was $150.2 million (2010: $82.4 million), which after adjustment in both years for one off costs and the proportionate consolidation of joint ventures, is up 22% on prior year. A further discussion of the results is outlined below.

Acquisition of Austereo

The acquisition of Austereo has been transformational for the Group. The combination of Southern Cross Media and Austereo has created one of Australia's leading media companies with a national footprint across both metropolitan and regional radio markets, as well as an integrated regional television offering.

On 31 January 2011, the Group announced that Southern Cross National Network Pty Ltd, a wholly owned subsidiary, would make an off market takeover offer for all of the shares in Austereo. The takeover offer was declared unconditional on 29 March 2011. The Group received acceptances under the takeover offer that resulted in it having a Relevant Interest in more than 94% of Austereo shares at 6 April 2011, including acceptance by Village Roadshow Limited in respect of its entire 52.52% holding in Austereo. Accordingly, the Group was entitled to proceed to compulsory acquisition in respect of any Austereo shares which it had not acquired by the takeover offer close date. At 17 May 2011, the Group had acquired 100% of the shares in Austereo. Austereo has been consolidated into the Group accounts from 29 March 2011.

Austereo was acquired for $723.7 million. As a result of the Austereo acquisition, Radio Newcastle Pty Ltd ("Radio Newcastle") became 100% owned by the Group.

As a result of the off market takeover of Austereo, Southern Cross Media Australia Pty Ltd ("SCM") entered into a new $765 million bank facility on 25 March 2011. This facility consists of a $725 million term facility, maturing on 26 March 2015, a $30 million working capital facility, and a $10 million working capital facility for bank guarantees/leases/credit cards/merchant facilities. The $30 million working capital facility remains undrawn at 30 June 2011.

The $725 million term facility was drawn down in multiple instalments from 31 March 2011 to 31 May 2011, with $503 million being used to refinance existing SCM and Austereo debt facilities and the remaining $222 million being used to fund the acquisition of Austereo shares.

In addition to the $765 million facility entered into by SCM, the Group entered into an agreement for a $540 million equity bridge finance facility on 25 March 2011 to finance the acquisition of shares in Austereo. Of the $540 million, $458.5 million was drawn down in multiple instalments from 4 April 2011 to 17 May 2011 with the remaining $81.5 million being cancelled. This facility was fully repaid with funds received from the $471.6 million capital raising entitlement offer, with $384.5 million being repaid on 19 April 2011 and the remaining $74 million being repaid on 16 and 18 May 2011. The excess of funds from the rights issue has been used to fund the underwriting costs of the rights issue.

The entitlement offer comprised a 6 for 7 accelerated renounceable entitlement offer over fully paid shares in the Company at an issue price of $1.45. The entitlement offer comprised an institutional component and a retail component. The institutional component raised $393.9 million of capital, whilst the retail component raised $77.7 million.

DIRECTORS' REPORT
FOR YEAR ENDED 30 JUNE 2011

Review and Results of Operations (continued)

Regional Free to Air Broadcasting

For the 12 months ended 30 June 2011 the regional business produced revenue from operations of $428.3 million on a proportionately consolidated basis, up 2.8% from the prior year. EBITDA finished at $133.7 million and EBIT was $114.0 million. EBIT margins expanded and finished at 26.6% for the full year compared with 25.8% for the prior year.

The year was one of fluctuating fortunes and market conditions. The first quarter produced strong market conditions across both media. The success of the 2010 "Masterchef" series on Channel Ten and positive sentiment about economic conditions resulted in strong first quarter growth in both National and Local TV markets. Local radio conditions were also showing positive signs. After a promising start a number of events subdued growth.

Whilst the Commonwealth games performed strongly in local markets, producing a record month for local direct revenue in October 2010, the negative sentiment surrounding the games resulted in national advertisers exercising caution and not opting for an association with the event. Channel Ten was also suffering from poor ratings performance and a series of natural disasters in Queensland and areas of regional New South Wales and Victoria had a dampening effect on revenue growth trajectory.

Stronger comparative prior periods began to pull back growth rates in the second half of the year. Regional Australia, particularly Queensland, continues to suffer from poor economic conditions and sentiment. Channel Ten launched their third digital channel, 11, which has been successful. Changes to the ONE digital channel have also been moderately successful, however the main channel is still struggling to find its feet with ratings and changes to the news hour.

Overall radio once again showed resilience and stability in difficult circumstances and produced pleasing revenue growth of 5% year on year. In an extremely difficult year for Channel Ten our television business produced modest yet creditable growth of 1.5% year on year.

A hallmark of the regional business over the years has been cost management and costs were managed tightly to produce increases in EBIT margins.

Metropolitan Free to Air Broadcasting

The acquisition of Austereo has added metropolitan commercial radio stations to the portfolio of regional radio stations.

For the period 29 March 2011 to 30 June 2011 it produced revenue from operations of $74.5 million, EBITDA of $24.6 million and EBIT of $22.1 million. EBIT margins for the three months of ownership finished at 29.7%.

The metro radio business has performed strongly since the change of ownership. The Today network has maintained its number one ranking as the leading commercial metropolitan radio network and MMM has improved ratings performance in the two leading markets of Sydney and Melbourne.

Distributions and Dividends

Type	Cents per share	Total Amount $'000	Date of Payment	Entity
Interim 2010 Ordinary	3.5	13,259	17 February 2010	SCMT*
Final 2010 Ordinary	6.2	23,487	8 October 2010	SCMGL**
Interim 2011 Ordinary	7.0	26,519	25 May 2011	SCMGL**

* Southern Cross Media Trust ("SCMT")

** Southern Cross Media Group Limited ("SCMGL")

Since the end of the financial year the directors have recommended the payment of a final ordinary dividend of $21.2 million (3 cents per fully paid share). This dividend will be paid on 20 October 2011 by the Company.

Significant Changes in State of Affairs

Significant changes in the state of affairs of the Group during the financial year ended 30 June 2011 have been disclosed above.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Group 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 the Group, the results of these operations in future financial years or the state of affairs of the Group in periods subsequent to the year ended 30 June 2011.

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 the Company 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 the Company paid a premium of $133,720 to insure its officers. So long as the officers of the Company act in accordance with the Constitution and the law, the officers remain indemnified out of the assets of the Company and the Group against any losses incurred while acting on behalf of the Company 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 the Group 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.

Information on Directors

Max Moore-Wilton

Chairman

Age 68, 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 three years

Max has not ceased any listed company directorships in the last three years.

Leon Pasternak

Independent Director

Age 56, 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 Merrill Lynch International (a subsidiary of Bank of America) with responsibility for mergers and acquisitions.

Other Current Directorships

Leon has no other current directorships in listed companies.

Former Directorships in the last three years

Leon has not ceased any listed company directorships in the last three years.

Chris de Boer

Independent Director

Age 66, 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 a member of the Remuneration and Nomination Committee.

Other Current Directorships

Chris has no other current directorships in listed companies.

Former Directorships in the last three years

Chris has not ceased any listed company directorships in the last three years.

Tony Bell

Independent Director

Age 57, 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 three years

Tony has not ceased any listed company directorships in the last three years.

DIRECTORS' REPORT
FOR YEAR ENDED 30 JUNE 2011

Information on Directors (continued)

Michael Carapiet
Non-executive Director
Age 52, Appointed 10 March 2010. Previously appointed Alternate Director on 11 April 2008 and resigned on 10 March 2010.

Until his retirement in July 2011, Michael was the Executive Chairman of Macquarie Capital and Macquarie Securities Group – both operating businesses within the Macquarie Group with the former being the business out of which Australia's largest investment advisory services business operates and the latter being the institutional equities arm of the Macquarie Group. Michael's 22 years with the Macquarie Group saw him take a leading role in the development of the Macquarie Capital business in Australia and internationally, particularly with respect to its infrastructure advisory and funds business.

Other Current Directorships
Michael has no other current directorships in listed companies.

Former Directorships in the last three years
Michael has not ceased any listed company directorships in the last three years.

Peter Harvie
Non-executive Director
Age 72, Appointed 1 August 2011

Peter Harvie has more than 35 years' experience in the Australian media industry. Prior to his appointment Peter was the executive chairman of Austereo Group Limited from 1997 until May 2011, managing director of the Triple M Network and managing director of the Clemenger Harvie advertising agency from 1974 to 1993.

Other Current Directorships
Peter has been a director of Village Roadshow Limited since 20 June 2000.

Former Directorships in the last three years
Peter ceased being a director of Austereo Group Limited on 18 July 2011.

Company Secretary

Louise Bolger, BA, LLB (Hons)
Appointed 14 April 2010

Louise is a qualified solicitor with more than 10 years' 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 2011, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees: Audit		Nomination and Remuneration		Independent Board Committee	
	A	B	A	B	A	B	A	B
Director								
Max Moore-Wilton (Chairman)	16	16	*	*	4	4	*	*
Leon Pasternak	15	16	4	4	4	4	3	3
Chris de Boer	16	16	4	4	4	4	3	3
Tony Bell	14	16	3	4	3	4	3	3
Michael Carapiet	14	16	*	*	*	*	*	*
Peter Harvie	–	–	–	–	–	–	–	–

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.

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*.

With respect to the prior year, the Group discloses details of senior executive remuneration from 10 March 2010, the date on which the Group ceased to be Macquarie Group Limited ("Macquarie") managed and the senior executives became directly employed by the Group. Prior to this date, the Group's senior executives were employed and remunerated by controlled entities of 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; and
- 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; and
- 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; and
- 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 within the Group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

The board has established a Nomination and 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.

2.1 Non-executive and independent directors fees

Fees and payments to non-executive and independent directors reflect the demands which are made on and the responsibilities of, the directors. Non-executive and independent 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 and independent directors based on comparative roles in the market. The Chair is not present at any discussions relating to determination of his own remuneration. Non-executive and independent directors do not receive performance-based pay and are not entitled to Company shares, performance rights or to retirement benefits as part of their remuneration packages.

The director's fees were reviewed with effect from 1 July 2011. The Chair's remuneration is inclusive of committee fees while other non-executive and independent directors who chair, or are a member of, a committee receive additional yearly fees.

DIRECTORS' REPORT
FOR YEAR ENDED 30 JUNE 2011

2.1 Non-executive and independent directors fees (continued)

The following non-executive directors' fees have applied in the years ended 30 June 2011 and 30 June 2010 for the Company:

	From 1 July 2011 $	From 1 April 2010 to 30 June 2011 $	From 1 July 2009 to 31 March 2010 $
Base fees – Annual			
Chair***	250,000	220,000	47,500
Deputy Chair***	161,500	–	–
Other non-executive directors	125,000	110,000	42,500
Additional fees – Annual			
Audit Committee – chair	21,000	21,000	–
Audit Committee – member	14,000	14,000	–
Remuneration Committee – member	10,000	10,000	–
IBC fees	–	51,325*	210,938**

* The Independent Board Committee ("IBC") fees were paid in relation to the negotiation of the terms of the Company's engagement of Macquarie Capital Advisers Limited as financial adviser and debt arranger to the Company in relation to the offer to acquire all of the shares in Austereo.

** IBC fees were paid in relation to the internalisation of the Group's management arrangements (the "Internalisation") and were approved by security holders at the Internalisation Meeting on 17 December 2009.

*** Chair and Deputy Chair fees are inclusive of all relevant committee fees and as such they do not receive any additional committee fees.

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 contribution retirement scheme. In the prior year a defined benefit retirement scheme was operated however this was closed during the current financial year.

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. At the end of the financial year the Nomination 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 first grant of rights are exercisable subject to a four year performance period (three years for Mr S. Kelly, CFO), 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 51st percentile against a comparative group of selected media and related listed companies. Between the 51st and 75th 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 75th percentile or higher.

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

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 2011 $'000	30 June 2010 $'000	30 June 2009 $'000	30 June 2008 $'000	30 June 2007 $'000
Revenue	492,811	406,909	393,483	427,301	167,001
Net profit before tax	76,545	24,185	(15,724)	23,245	(322)
Net profit after tax	53,298	19,903	18,640	19,732	(1,924)

	30 June 2011	30 June 2010	30 June 2009	30 June 2008	30 June 2007
Opening share price	$1.64	$1.32	$2.95	$4.85	–
Closing share price	$1.55	$1.64	$1.32	$2.95	$4.85
Dividend/Distribution	10.0c	9.7c	7.7c	47.0c	45.5c

3. Details of remuneration

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

Key Management Personnel

Directors

Max Moore-Wilton	(Chairman)
Leon Pasternak	
Chris de Boer	
Tony Bell	
Michael Carapiet	
Peter Harvie	(appointed 1 August 2011)

Executives and five highest paid

Rhys Holleran	CEO
Stephen Kelly	CFO
Kym Gallagher	CFO – Southern Cross Media Australia Pty Ltd until 30 June 2011
Greg Dodgson	COO – Southern Cross Media Australia Pty Ltd until 14 January 2011
Jeremy Simpson	National Sales Director
Guy Dobson	Director of Metropolitan Radio
Kathy Gramp	CFO – Austereo until 30 June 2011
Peter Harvie	Executive Chairman – Austereo until 18 July 2011

DIRECTORS' REPORT
FOR YEAR ENDED 30 JUNE 2011

Key management personnel remuneration

2011	Short-term employee benefits			Post-employment benefits			Share-based payments		Proportion of performance related remuneration
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super contribution $	Other long-term benefits[4] $	Termination $	Performance rights $	Total $	
Non-executive directors									
Max Moore-Wilton (Chair)	205,540	–	–	15,991	–	–	–	221,531	0%
Leon Pasternak	147,620	–	–	13,286	–	–	–	160,906	0%
Chris de Boer	141,360	–	–	12,722	–	–	–	154,082	0%
Tony Bell	148,625	–	–	–	–	–	–	148,625	0%
Michael Carapiet	55,000	–	–	–	–	–	–	55,000	0%
Peter Harvie[2]	–	–	–	–	–	–	–	–	0%
Sub-total non-executive directors[1]	698,145	–	–	41,999				740,144	
Executives									
Rhys Holleran	700,000	300,000	42,034	25,000	278,571	–	126,376	1,471,981	29%
Stephen Kelly	375,000	400,000	–	25,000	13,712	–	122,210	935,922	56%
Kym Gallagher	360,238	72,551	53,873	25,000	6,285	–	21,665	539,612	17%
Greg Dodgson[5]	147,052	–	14,487	10,416	(68,388)	–	–	103,567	0%
Jeremy Simpson	242,377	150,000	–	36,350	12,216	–	28,886	469,829	38%
Guy Dobson[3]	246,200	87,500	3,114	3,800	16,474	–	–	357,088	25%
Kathy Gramp[3,6]	83,406	340,000[6]	255	6,700	–	629,293	–	1,059,654	32%
Peter Harvie[2,3]	204,064	–	2,111	6,466	(1,445)	–	–	211,196	0%
Sub-total executives	2,358,337	1,350,051	115,874	138,732	257,425	629,293	299,137	5,148,849	
Total	3,056,482	1,350,051	115,874	180,731	257,425	629,293	299,137	5,888,993	

1 Included in non-executive directors' fees are $51,325 of Independent Board Committee fees.
2 Peter Harvie was appointed as a non-executive director on 1 August 2011, therefore remuneration disclosed relates to his position as executive chairman of Austereo.
3 Remuneration disclosed is for the period 29 March 2011 to 30 June 2011. Prior to that date, the executive was employed and remunerated by Austereo.
4 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.
5 Greg Dodgson resigned effective 14 January 2011, therefore remuneration disclosed is up to the date of resignation.
6 $300,000 of cash bonus relates to pre-acquisition bonus payment paid on 31 March 2011.

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 the Group commenced on 10 March 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.

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.

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[1]	Type of agreement	Base salary including super-annuation $'000	STI (on target)	LTI Value	Termination notice period
Rhys Holleran	Permanent	725	300	350	12 mths Group/ 6 mths employee
Stephen Kelly	Permanent	400	200	200	6 mths either party
Jeremy Simpson	Permanent	336	90	80	3 mths either party
Guy Dobson	Fixed term until 5 January 2013	1,000	250	–	12 mths either party

1 Service contracts for only those key management personnel who have remained key management personnel to the date of this report have been detailed in this table.

DIRECTORS' REPORT
FOR YEAR ENDED 30 JUNE 2011

5. Other remuneration information

Loans to directors and executives

There were no loans to directors and executives.

Performance rights granted to directors and executives

During the year the following share-based payment arrangements were in existence:

Performance rights series	Grant Date	Expiry Date	Fair value at grant date $	Vesting date
Tranche 1	26/07/2010	01/07/2011	0.86	01/07/2011
Tranche 2	26/07/2010	01/07/2012	0.88	01/07/2012
Tranche 3	26/07/2010	01/07/2013	0.90	01/07/2013
Tranche 4	26/07/2010	01/07/2014	0.90	01/07/2014

Share-based payment compensation granted to key management personnel for the current financial year was as follows:

2011	Performance rights series	No. granted	$ granted	No. forfeited	% of compensation for the year consisting of performance rights
Directors					
Max Moore-Wilton	–	–	–	–	0%
Leon Pasternak	–	–	–	–	0%
Chris de Boer	–	–	–	–	0%
Tony Bell	–	–	–	–	0%
Michael Carapiet	–	–	–	–	0%
Peter Harvie					
Executives					
Rhys Holleran	Tranche 2 to 4 (inclusive)	391,796	350,000	–	9%
Stephen Kelly	Tranche 1 to 3 (inclusive)	227,328	200,000	–	13%
Kym Gallagher	Tranche 2 to 4 (inclusive)	67,165	60,000	–	4%
Greg Dodgson	Tranche 2 to 4 (inclusive)	78,359	70,000	78,359	0%
Jeremy Simpson	Tranche 2 to 4 (inclusive)	89,553	80,000	–	6%
Guy Dobson	–	–	–	–	0%
Kathy Gramp	–	–	–	–	0%
Peter Harvie	–	–	–	–	0%

No performance rights have vested during the current financial year. At 1 July 2011, Tranche 1 of performance rights vested to 70%.

Directors' holdings of shares

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

	2011	2010
Max Moore-Wilton	1,857,143	1,000,000
Leon Pasternak	964,216	519,193
Chris de Boer	148,571	80,000
Tony Bell	150,276	140,000
Michael Carapiet	1,147,900	618,100
Peter Harvie	–	–
John Roberts (as Alternate)	n/a	n/a
Macquarie Group Limited and controlled entities	179,513,906	96,661,334
	183,782,012	99,018,627

Non-Audit Services

The Group 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 auditors (PricewaterhouseCoopers and Ernst & Young) 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 and Risk 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

The Group and the Company 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 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.

DIRECTORS' REPORT
FOR YEAR ENDED 30 JUNE 2011

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 25.

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

Max Moore-Wilton
Chairman
Southern Cross Media Group Limited

Sydney, Australia
23 August 2011

Chris de Boer
Director
Southern Cross Media Group Limited

Sydney, Australia
23 August 2011

AUDITOR'S INDEPENDENCE DECLARATION

pwc

As lead auditor for the audit of Southern Cross Media Group Limited for the year ended 30 June 2011, 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.

Scott Walsh
Partner
PricewaterhouseCoopers

Sydney
23 August 2011

PricewaterhouseCoopers, ABN 52 780 433 757

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STATEMENT OF COMPREHENSIVE INCOME
FOR YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000
Revenue from continuing operations	2	492,811	406,909
Broadcast and production costs		(117,563)	(104,273)
Employee expenses		(122,930)	(94,267)
Selling costs		(31,569)	(23,951)
Occupancy costs		(19,201)	(16,321)
Promotions and marketing		(8,783)	(5,984)
Management fee expense	2	–	(4,578)
Administration costs		(37,629)	(36,242)
One off transaction costs		(6,300)	–
Termination payment for internalisation	31	–	(40,540)
Share of net profits of investments accounted for using the equity method		1,396	1,623
Profit before depreciation, amortisation, interest, fair value movements on financial derivatives and income tax expense from continuing operations		150,232	82,376
Depreciation and amortisation expense	2	(22,143)	(21,785)
Interest expense and other borrowing costs	2	(52,610)	(61,906)
Interest revenue	2	2,393	8,111
Fair value gains on financial derivatives – interest rate swaps	2	–	17,389
Fair value losses on financial derivatives – interest rate swaps	2	(1,327)	–
Profit before income tax expense from continuing operations		76,545	24,185
Income tax expense from continuing operations	4	(23,247)	(4,282)
Profit from continuing operations after income tax for the year		53,298	19,903
Loss from discontinued operations	5	–	(102,579)
Profit/(loss) for the year attributable to shareholders/stapled security holders		53,298	(82,676)
Other comprehensive income			
Exchange differences on translation of foreign operations		–	1,347
Actuarial gain on retirement benefits plan		165	–
Other comprehensive income for the year, net of tax		165	1,347
Total comprehensive profit/(loss) for the year attributable to shareholders/stapled security holders		53,463	(81,329)
Earnings per share for profit from continuing operations attributable to shareholders/stapled security holders:			
Basic earnings per share	25	11.55c	5.76c
Diluted earnings per share	25	11.53c	5.76c
Earnings/(loss) per share for profit/(loss) attributable to shareholders/stapled security holders:			
Basic earnings/(loss) per share	25	11.55c	(23.93)c
Diluted earnings/(loss) per share	25	11.53c	(23.93)c

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

		Consolidated	
	Note	2011 $'000	2010 $'000
Current assets			
Cash and cash equivalents	7	31,644	38,116
Receivables	8	138,763	84,328
Total current assets		170,407	122,444
Non-current assets			
Receivables	9	3,750	477
Investments accounted for using the equity method	10	11,198	29,643
Property, plant and equipment	12	183,678	147,933
Intangible assets	13	1,998,020	1,064,768
Other financial assets	11	541	–
Deferred tax assets	14	30,730	30,566
Total non-current assets		2,227,917	1,273,387
Total assets		2,398,324	1,395,831
Current liabilities			
Payables	17	110,031	56,188
Provisions	18	20,086	10,180
Borrowings	19	116	281
Current tax liabilities		14,969	–
Derivative financial instruments	20	441	1,228
Total current liabilities		145,643	67,877
Non-current liabilities			
Provisions	21	7,019	3,692
Borrowings	19	708,472	287,544
Deferred tax liabilities	14	31,513	–
Retirement benefit obligations		–	165
Derivative financial instruments	20	6,678	4,164
Total non-current liabilities		753,682	295,565
Total liabilities		899,325	363,442
Net assets		1,498,999	1,032,389
Equity			
Contributed equity	22	1,688,149	1,225,400
Reserves	23 (a)	404	(339)
Other equity transaction	23 (b)	(77,406)	(77,406)
Accumulated losses	24	(112,446)	(115,564)
Equity attributable to equity holders		1,498,701	1,032,091
Non-controlling interest		298	298
Total equity		1,498,999	1,032,389

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

STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2011

	Consolidated						
	Contributed equity $'000	Reserves $'000	Other equity transactions $'000	Accumulated losses/ (retained profits) $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
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
Profit for the financial year	–	–	–	53,298	53,298	–	53,298
Actuarial gain on defined benefit plan	–	165	–	–	165	–	165
Total comprehensive (loss)/income	–	165	–	53,298	53,463	–	53,463
Transactions with equity holders in their capacity as equity holders:							
Employee share entitlements	–	404	–	–	404	–	404
Issuing shares as consideration for acquisition of businesses	1,171	–	–	–	1,171	–	1,171
Capital raising	471,609	–	–	–	471,609	–	471,609
Cost of issuing shares net of tax	(11,586)	–	–	–	(11,586)	–	(11,586)
Issuing shares for dividend reinvestment plan	1,555	–	–	–	1,555	–	1,555
Distributions provided for or paid	–	–	–	(50,006)	(50,006)	–	(50,006)
Transfer (to)/from reserve	–	174	–	(174)	–	–	–
	462,749	578	–	(50,180)	413,147	–	413,147
Total equity at 30 June 2011	1,688,149	404	(77,406)	(112,446)	1,498,701	298	1,498,999

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

STATEMENT OF CASH FLOWS
FOR YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000
Cash flows from operating activities			
Receipts from customers		543,670	537,846
Payments to suppliers/employees		(376,694)	(403,134)
Government grants received		1,517	2,236
Responsible entity/Manager base fees paid		–	(4,578)
Termination fees paid		–	(40,540)
Acquiree transaction costs		(2,270)	
Interest received from external parties		2,393	8,156
Dividends received from associates		900	1,850
Tax paid		(4,914)	(443)
Net cash flows from operating activities	26	164,602	101,393
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(21,000)	(10,967)
Payments for purchase of intangibles		(21)	(18)
Proceeds from sale of property, plant and equipment		7,338	1,080
Payments for purchase of businesses		(721,039)	–
Transaction costs associated with purchase of businesses		(6,300)	–
Payments for purchase of investments		(195)	(367)
Net cash outflow on loss of control of subsidiary		–	(6,058)
Net cash flows used in investing activities		(741,217)	(16,330)
Cash flows from financing activities			
Distributions paid to security holders		(48,451)	(19,376)
Borrowings from external parties		1,183,522	–
Repayment of borrowings from external parties		(963,122)	(572,500)
Payments on settlement of derivative financial instruments		–	(8,989)
Proceeds from capital raising/payments for buy-back		471,609	291,379
Capital raising costs/buy back costs		(16,551)	(7,431)
Borrowing costs paid for purchase of business		(18,056)	–
Interest paid to external parties		(38,631)	(77,054)
Movement in finance lease liabilities		(177)	(30)
Net cash flows from/(used in) financing activities		570,143	(394,001)
Net decrease in cash and cash equivalents		(6,472)	(308,938)
Cash assets at the beginning of the year		38,116	347,070
Exchange rate movements		–	(16)
Cash assets at the end of the year	7	31,644	38,116

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

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2011

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 ("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 the Group consisted of Southern Cross Media Trust and the entities it controlled, including both Southern Cross Media Group Limited and the entities it controlled and Southern Cross Media International Limited and the entities it controlled. Following the corporatisation, the consolidated financial statements of the Group consist of Southern Cross Media Group Limited and its controlled entities. Other than changes to the internal structure of the Group, there was no impact on the Group as a result of the corporatisation transaction, and as such it is appropriate to present the consolidated financial statements of the Group as a continuation of the previous Group. As a result, comparative comprehensive income and equity previously presented as attributable to equity holders of each of the stapled entities was aggregated and presented as attributable to equity holders of the Company.

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.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2011 and the results of all subsidiaries for the year then ended. The effects of all transactions between entities in the Group are eliminated in full.

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") was deemed to be the accounting acquirer of both Southern Cross Media Group Limited ("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 the Group 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 the Group'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.

(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 or 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.

(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 the Company'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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2011

1 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 – 16 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

(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.

The Group sub-leases buildings under an operating lease and rent revenue is recorded as income in the profit or loss on a straight-line basis.

(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.

Tradenames

Tradenames are initially recognised at cost. The 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 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 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 at least 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.

(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 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 20.

(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.

(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 Monte Carlo pricing model that takes into account the share price at balance date and the expected dividend yield, share price volatility and the risk free interest rate for the term of the entitlement.

The fair value at grant date 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2011

1 Summary of Significant Accounting Policies (continued)

(n) Retirement benefit obligations

SCM operates a defined contribution scheme and in the prior year also operated a defined benefit scheme. Eligibility for participation in the plans is governed by employment and related law in the country of employment.

Defined benefit scheme (closed during the current year)

The defined benefit scheme in SCM provided, 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 was recognised in the Statement of Financial Position and was 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 was 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 were 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 were recognised directly in equity.

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.

(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) Contributed equity

Shares in the Company are classified as equity. Incremental costs directly attributed to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(r) 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.

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.

Rental revenue

Rental revenue is recognised on a straight line basis.

(s) 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.

(t) 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 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.

(u) 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.

(v) Distributions/dividends

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

(w) 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.

(x) 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.

(y) Rounding of amounts

The Group and the Company 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.

(z) Impact of new accounting policies

The Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the annual reporting period commencing on 1 July 2010, which include:

(i) Amendments to AASB 5, 8, 101, 107, 117, 118, 136 and 139 as a consequence of AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The adoption of these amendments has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2011

1 Summary of Significant Accounting Policies (continued)

Impact of new accounting policies (continued)

(ii) Amendments to AASB 3 and 127 as a consequence of AASB 2010-3 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The application of AASB 2010-3 makes amendments to AASB 3(2008) "Business Combinations" to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interest and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards.

In addition, the application of AASB 2010-3 makes amendments to AASB 3(2008) to give more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with AASB 2 'Share-based Payment' at the acquisition date ("market-based measure").

Whilst the Group undertook a business combination in the current year, the acquisition did not include any share-based payment awards held by the acquiree's employees and did not result in any material non-controlling interests. As a result the adoption of these amendments has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods.

(aa) Impact of standards issued but not yet applied

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Group's assessment of the impact of relevant new standards and interpretations is set out below.

- AASB 124 Related Party Disclosures (revised December 2009), AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)
- AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)
- AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)
- AASB 2010-5 Amendments to Australian Accounting Standards (effective from 1 January 2011)
- AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective from 1 July 2011)
- AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective from 1 January 2011)
- IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities and revised IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- Revised IAS 1 Presentation of Financial Statements (effective 1 July 2012)
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013)

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.

(bb) 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 notes 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 13 for details of these assumptions.

(ii) 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. Refer to note 4 for further details of tax risks.

(iii) 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.

(iv) Austereo acquisition provisional accounting
Accounting for the Austereo acquisition is still provisional at this reporting date, using previous carrying values. Accounting for tax balances is also provisional and an assessment of entities joining the tax consolidated group will be performed once the acquisition accounting is finalised.

(cc) Parent entity financial information
The financial information for the parent entity, Southern Cross Media Group Limited ("SCMGL"), disclosed in note 29 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 the Company.

(ii) Tax consolidation legislation
The Company 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, the Company 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 the Company for any current tax payable assumed and are compensated by the Company for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the Company 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.

(dd) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2011

2 Profit for the Year

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

	Consolidated 2011 $'000	Consolidated 2010 $'000
Revenue		
Sales revenue	485,503	400,467
Other revenue		
Government grant revenue	1,517	2,236
Rental revenue	4,124	3,966
Net profit on disposal of property, plant and equipment	1,667	240
Total revenue from continuing operations	492,811	406,909
Interest revenue		
External banks	2,393	8,111
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
Depreciation		
Land and buildings	1,055	1,113
Plant and equipment	19,639	19,045
Leasehold improvements	985	526
Plant and equipment under finance leases	142	134
Total depreciation	21,821	20,818
Amortisation		
Customer relationships	322	967
Total amortisation	322	967
Total depreciation and amortisation	22,143	21,785
Interest expense and other borrowing costs		
External banks	52,522	61,862
Finance charges on capitalised leases	88	44
Total finance costs	52,610	61,906
Net fair value losses on financial derivatives – interest rate swaps		
Total fair value losses	1,327	–
Rental expense relating to operating leases – minimum lease payments – included in occupancy costs	15,868	14,081
Defined contribution plan expense – included in employee expenses	8,474	6,476

3 Remuneration of Auditors

	Consolidated 2011 $	Consolidated 2010 $
(a) Audit services		
PricewaterhouseCoopers Australian firm:		
Statutory audit and review of financial reports	610,000	1,020,925
PricewaterhouseCoopers overseas firm:		
Audit and review of financial reports	–	381,869
Ernst & Young Australian firm:		
Audit and review of financial reports	50,000	–
Total remuneration for audit services	660,000	1,402,794
(b) Non-audit services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services	–	182,406
Transaction services	–	285,000
Regulatory returns	50,000	40,000
Other assurance services	–	85,690
Remuneration consulting	–	25,000
Other consulting services	30,000	–
PricewaterhouseCoopers overseas firm:		
Tax compliance services	–	181,843
Ernst & Young Australian firm		
Other non-audit services	–	–
Total remuneration for non-audit services	80,000	799,939
Total	740,000	2,202,733

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2011

4 Income Tax 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	
	2011 $'000	2010 $'000
Income tax expense		
Current tax	13,809	–
Withholding tax	–	304
Deferred tax	9,438	3,978
	23,247	4,282
Deferred income tax expense included in income tax expense comprises:		
Decrease in net deferred tax assets	10,750	3,978
Adjustment for prior years	(1,312)	–
	9,438	3,978
Reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	76,545	24,185
Tax at the Australian tax rate of 30%	22,964	7,256
Tax effect of operating results of SCMT (Refer note 1(t))	–	(2,581)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share of net profits of associates	(419)	(487)
Other non-deductible expenses/non-assessable income	2,014	262
Adjustments recognised in the current year in relation to current tax of prior years	(1,312)	356
Withholding tax	–	304
Impact of operations in jurisdictions other than Australia – Bermudian entity (Refer note 1(t))	–	(828)
Income tax expense attributable to operating profit	23,247	4,282

For the year ended 30 June 2011, the Company had $4.96 million of tax recognised directly in equity relating to transaction costs of the capital raising, with a corresponding deferred tax asset being recognised. There are no unused tax losses for which no deferred tax asset has been recognised. For the year ended 30 June 2010, the Company had no tax amounts recognised directly in equity or any unused tax losses for which no deferred tax asset had been recognised.

Tax Audit
The Company is currently the subject of a specific issue tax audit by the Australian Taxation Office ("ATO") in relation to the income years ended 30 June 2006 to 30 June 2009.

As part of the audit, consistent with the ATO's specific focus on the application of specific debt/equity rules to stapled groups under its Compliance Program for the 2010/2011 year, the tax deductibility of dividend payments on certain redeemable preference shares ("RPS") issued by the Company is being considered.

At this stage, the Company is working with the ATO to provide all relevant information regarding its position. The Company is comfortable with the position taken that the dividend payments on the redeemable preference shares are deductible and does not regard a provision as necessary.

The amount of dividend payments on the RPS to date is $153.3 million. Should an adverse finding be determined and sustained by the ATO it will result in additional primary tax payable by the Company of approximately $46 million plus any interest and penalties.

5 Discontinued Operations
(a) Description
On 30 June 2010, the Group 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 the Group has retained a 10% non-voting equity interest in ACM. The Group is released from all claims attaching to the ACM facility and the Group has not provided any guarantees or security in favour of ACM or its lenders. The Group's remaining 10% non-voting equity interest in ACM has been classified as an available for sale investment as at 30 June 2011 and 30 June 2010, the fair value of which was nil.

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

(b) Financial performance and cash flow information

The financial performance for the prior year from discontinued operations included in the Statement of Comprehensive Income is set out below.

Financial performance

	Consolidated 2010 $'000
Revenue	96,348
Other income	5,235
Expenses	(113,544)
Impairment loss	(170,575)
Loss before income tax	(182,536)
Income tax benefit	4,730
Loss after income tax of discontinued operations	(177,806)
Profit from disposal	75,227
Total loss from discontinued operations	(102,579)

Cash flow information

	Consolidated 2010 $'000
Net cash inflow from operating activities	15,993
Net cash outflow from investing activities	(636)
Net cash outflow from financing activities	(12,890)
Net increase in cash generated from discontinued operations	2,467

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

The Group lost control of ACM for nil consideration. The Group's remaining 10% non-voting equity interest in ACM has been classified as an available for sale investment as at both 30 June 2011 and 30 June 2010, the fair value of which was nil. Assets and liabilities disposed of are outlined below.

	ACM Group 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

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2011

5 Discontinued Operations (continued)
(d) Gain on disposal

	ACM Group 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 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 2011 $'000	Consolidated 2010 $'000
Interim distribution paid for 31 December 2011 (2010: 31 December 2010) – fully franked at the tax rate of 30% (2010: unfranked)	26,519	13,259
Final distribution paid for the year ended 30 June 2010 – fully franked at the tax rate of 30%	23,487	–
	50,006	13,259
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2011 and 30 June 2010 were as follows:		
Paid in cash	48,451	13,259
Satisfied by issue of shares	1,555	–
	50,006	13,259

	Cents per security	Cents per security
Interim distribution paid for 31 December 2011 (2010: 31 December 2010) – fully franked at the tax rate of 30% (2010: unfranked)	7.0	3.5
Final distribution paid for the year ended 30 June 2010 – fully franked at the tax rate of 30%	6.2	–
	13.2	3.5

The Group has $84.1 million of franking credits at 30 June 2011 (2010: $32 million).

During the prior year, the Company paid preference share dividends to SCMT of $7.2 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	
	2011 $'000	2010 $'000
Cash at bank	31,644	38,116

8 Current Assets – Receivables

	Consolidated	
	2011 $'000	2010 $'000
Current		
Trade receivables	124,441	76,891
Provision for doubtful debts (a)	(1,963)	(1,128)
Prepayments	6,214	5,960
Other	10,071	2,605
	138,763	84,328

(a) Impaired trade receivables

The Group has recognised an expense in respect of bad and doubtful trade receivables during the year ended 30 June 2011 of $871,018 (2010: $918,600). This provision is based on known bad debts and past experience for receipt of trade receivables.

9 Non-Current Assets – Receivables

	Consolidated	
	2011 $'000	2010 $'000
Non-current		
Refundable deposits	505	477
Related parties	1,385	–
Other	1,860	–
	3,750	477

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

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2011

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

	Consolidated 2011 $'000	Consolidated 2010 $'000
Shares in associates – equity method	11,198	29,643

(a) Carrying amounts

Information relating to associates is set out below:

Name of company	Country of origin	Principal activity	Ownership interest % 2011	Ownership interest % 2010	Consolidated 2011 $'000	Consolidated 2010 $'000
Radio Newcastle Pty Ltd	Australia	Commercial radio broadcasting	100[1]	50	–[1]	20,069
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	8,250	8,104
Darwin Digital Television Pty Ltd	Australia	Operation of a TV station – Darwin	50	50	1,027	1,367
Sydney FM Facilities Pty Ltd	Australia	Rental of a transmission facility	50	–	615	–
Melbourne FM Facilities Pty Ltd	Australia	Rental of a transmission facility	50	–	–	–
Perth FM Facilities Pty Ltd	Australia	Rental of a transmission facility	66.7[2]	–	300	–
Digital Radio Broadcasting Sydney Pty Ltd	Australia	Digital radio	22.6	–	817	–
Digital Radio Broadcasting Melbourne Pty Ltd	Australia	Digital radio	18.2[3]	–	14	–
Digital Radio Broadcasting Brisbane Pty Ltd	Australia	Digital radio	35	–	20	–
Digital Radio Broadcasting Adelaide Pty Ltd	Australia	Digital radio	33.3	–	26	–
Digital Radio Broadcasting Perth Pty Ltd	Australia	Digital radio	33.3	–	26	–
					11,198	29,643

1 With the acquisition of Austereo in the current year, the Group now holds a 100% investment in Radio Newcastle Pty Ltd and it has therefore been consolidated since the date of acquisition. Refer to note 28 for further information.

2 Whilst more than 50% of Perth FM Facilities Pty Ltd is owned by the Group, it does not control the voting rights as all shareholders are required to agree on material operating matters.

3 Due to the nature and treatment of the Digital Radio Broadcasting operations, the 18.2% investment in Digital Radio Broadcasting Melbourne Pty Ltd has been recognised as an associate.

(b) Movements in carrying amounts

	Consolidated 2011 $'000	Consolidated 2010 $'000
Carrying amount at the beginning of the financial year	29,643	29,503
Share of profits after income tax	1,396	1,623
Dividends received/receivable	(900)	(1,850)
Disposals of associates (refer to note 28)	(27,019)	–
Acquisitions of associates (refer to note 28)	7,883	–
Contributions to associates	195	367
Carrying amount at the end of the financial year	11,198	29,643

(c) Details of interest in associates

	Consolidated 2011 $'000	Consolidated 2010 $'000
Share of associates' assets and liabilities		
Current assets	4,899	2,408
Non-current assets	14,194	33,505
Total assets	19,093	35,913
Current liabilities	1,821	2,150
Non-current liabilities	6,074	4,120
Total liabilities	7,895	6,270
Net assets	11,198	29,643
Share of associates' revenue, expenses and results		
Revenue	9,299	9,832
Expenses	(6,891)	(7,355)
Profit before income tax	2,408	2,477
Income tax expense	(1,012)	(854)
Net profit – accounted for using the equity method	1,396	1,623
Share of associates' 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	–	–

11 Non-Current Assets – Other Financial Assets

	Consolidated 2011 $'000	Consolidated 2010 $'000
Available for sale investments – unlisted investment at fair value	541	–

12 Non-Current Assets – Property, Plant and Equipment

	Consolidated 2011 $'000	Consolidated 2010 $'000
Land and buildings – at cost	50,970	46,053
Less: Accumulated depreciation	(9,892)	(4,393)
Total land and buildings – net	41,078	41,660
Leasehold improvements – at cost	30,561	10,726
Less: Accumulated depreciation	(12,521)	(5,671)
Total leasehold improvements – net	18,040	5,055
Plant and equipment – at cost	239,329	191,625
Less: Accumulated depreciation	(124,792)	(93,488)
Total plant and equipment – net	114,537	98,137
Leased plant and equipment – at cost	728	722
Less: Accumulated depreciation	(238)	(247)
Total leased plant and equipment – net	490	475
Assets under construction – at cost	9,533	2,606
Total property, plant and equipment – at cost	331,121	251,732
Less: Total accumulated depreciation	(147,443)	(103,799)
Total property, plant and equipment – net	183,678	147,933

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2011

12 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	
	2011 $'000	2010 $'000
Land and buildings		
Carrying amount at the beginning of the financial year	41,660	56,526
Acquisition of subsidiaries	1,545	–
Additions	1,770	139
Disposals	(5,394)	(615)
Depreciation expense	(1,055)	(1,389)
Impairment loss – discontinued operations	–	(5,176)
Transfers	2,552	–
Deconsolidation of subsidiary	–	(6,872)
Foreign currency exchange difference – discontinued operations	–	(953)
Carrying amount at the end of the financial year	41,078	41,660
Leasehold improvements		
Carrying amount at the beginning of the financial year	5,055	6,143
Acquisition of subsidiaries	15,903	–
Additions	627	50
Disposals	(8)	(14)
Depreciation expense	(985)	(604)
Impairment loss – discontinued operations	–	(195)
Transfers	(2,552)	–
Deconsolidation of subsidiary	–	(285)
Foreign currency exchange difference – discontinued operations	–	(40)
Carrying amount at the end of the financial year	18,040	5,055
Plant and equipment		
Carrying amount at the beginning of the financial year	98,137	100,048
Acquisition of subsidiaries	17,389	–
Additions	17,471	9,138
Disposals	(259)	(166)
Depreciation expense	(19,639)	(20,812)
Impairment loss – discontinued operations	–	(4,023)
Transfers	1,438	19,516
Deconsolidation of subsidiary	–	(5,025)
Foreign currency exchange differences – discontinued operations	–	(539)
Carrying amount at the end of the financial year	114,537	98,137
Leased plant and equipment		
Carrying amount at the beginning of the financial year	475	470
Additions	210	185
Disposals	(53)	(46)
Depreciation expense	(142)	(134)
Carrying amount at the end of the financial year	490	475
Assets under construction		
Carrying amount at the beginning of the financial year	2,606	20,667
Acquisition of subsidiaries	7,400	–
Transfers	(5,422)	(19,516)
Additions	4,949	1,455
Carrying amount at the end of the financial year	9,533	2,606
Total property, plant and equipment – net	183,678	147,933

13 Non-Current Assets – Intangible Assets

	Consolidated 2011 $'000	Consolidated 2010 $'000
Commercial radio/TV broadcast licences – at cost	1,642,271	768,483
Tradenames – at cost	117	95
Less accumulated amortisation and impairment charges	–	–
Total Tradenames – net	117	95
Customer relationships – at cost	2,900	2,900
Less accumulated amortisation and impairment charges	(2,900)	(2,578)
Total customer relationships – net	–	322
Goodwill – at cost	355,632	295,868
Less accumulated impairment charges	–	–
Total goodwill – net	355,632	295,868
Total intangibles – at cost	2,000,920	1,067,346
Less total accumulated amortisation and impairment charges	(2,900)	(2,578)
Total intangibles – net	1,998,020	1,064,768
Commercial radio/TV broadcast licences		
Carrying amount at the beginning of the financial year	768,483	768,483
Acquisition of subsidiaries (refer to note 28)	873,788	–
Carrying amount at the end of the financial year	1,642,271	768,483
Tradenames		
Carrying amount at the beginning of the financial year	95	72,348
Additions	22	18
Amortisation expense	–	(18)
Impairment loss – discontinued operations	–	(29,034)
Deconsolidation of subsidiary	–	(38,264)
Foreign currency exchange differences – discontinued operations	–	(4,955)
Carrying amount at the end of the financial year	117	95
Non-compete agreements – discontinued operations		
Carrying amount at the beginning of the financial year	–	955
Amortisation expense	–	(302)
Impairment loss	–	(205)
Deconsolidation of subsidiary	–	(217)
Foreign currency exchange differences	–	(231)
Carrying amount at the end of the financial year	–	–
Customer relationships		
Carrying amount at the beginning of the financial year	322	57,671
Amortisation expense	(322)	(6,880)
Impairment loss – discontinued operations	–	(23,107)
Deconsolidation of subsidiary	–	(23,615)
Foreign currency exchange differences – discontinued operations	–	(3,747)
Carrying amount at the end of the financial year	–	322
Goodwill		
Carrying amount at the beginning of the financial year	295,868	417,552
Acquisition of subsidiaries (refer to note 28)	59,764	–
Impairment loss – discontinued operations	–	(108,835)
Foreign currency exchange differences – discontinued operations	–	(12,849)
Carrying amount at the end of the financial year	355,632	295,868
Total intangibles – net	1,998,020	1,064,768

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FOR YEAR ENDED 30 JUNE 2011

13 Non-Current Assets – Intangible Assets (continued)

(a) Impairment tests for licences, tradenames and goodwill

The value of licences, tradenames and goodwill is allocated to the Group's cash generating units ("CGUs"), identified as regional free to air commercial radio and television broadcasting ("Regional free to air broadcasting") and metropolitan free to air commercial radio broadcasting ("Metro free to air broadcasting").

The recoverable amount of the Regional free to air broadcasting CGU at 30 June 2011 and 30 June 2010 was determined based on a value in use discounted cash flow ("DCF") model. The Metropolitan free to air broadcasting CGU was consolidated from 29 March 2011, when the takeover offer of Austereo became unconditional. 100% ownership of Austereo was gained on 17 May 2011. Impairment testing has been assessed at year end having regard to the financial model developed to support the acquisition. The financial results of the Austereo business since acquisition are in line with the financial model.

Allocation of goodwill and other intangible assets

2011	Regional Free to Air Broadcasting CGU $'000	Metro Free to Air Broadcasting CGU $'000	Total $'000
Goodwill allocated to CGU	295,868	59,764	355,632
Indefinite lived intangible assets allocated to CGU	768,600	873,788	1,642,388
Total goodwill and indefinite lived intangible assets	1,064,468	933,552	1,998,020

Assumptions (see part (b))	%	%
Value in use assumptions		
Revenue growth – forecast period	3.1 – 3.9	n/a
Cost growth – forecast period	2.8 – 6.6	n/a
Long-term growth rate – terminal value	2.5	n/a
Discount rate (pre-tax)	12.3	n/a

2010	Australia Free to Air Broadcasting CGU $'000	Total $'000
Goodwill allocated to CGU	295,868	295,868
Indefinite lived intangible assets allocated to CGU	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

(b) Key assumptions used for value in use calculations

The value in use calculations use cash flow projections based on the 2012 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. The discount rate used reflects specific risks relating to the relevant segments and the countries in which they operate.

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

Regional free to air broadcasting

At 30 June 2011, an increase in the discount rate of 1.1% to 13.4% to reflect a higher cost of debt finance than currently forecast or other changes in the cost of equity, would result in the regional free to air broadcasting CGU carrying amount exceeding its recoverable amount. In addition, if the revenue growth assumption was to decrease from 3.7% to 2.9% or operating expense growth assumption was to increase from 4.1% to 5.2% over the forecast period, it would result in the regional free to air broadcasting CGU carrying amount exceeding its recoverable amount. At 30 June 2011, the amount by which the recoverable amount exceeded the carrying value of the assets allocated to the regional free to air broadcasting CGU was $132.6 million.

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 regional free to air broadcasting CGU carrying amount exceeding its recoverable amount. In addition, if the revenue growth assumption was to decrease from 4.0% to 3.0% or operating expense growth assumption was to increase from 3.0% to 4.6% over the forecast period, it would result in the regional free to air broadcasting CGU carrying amount exceeding its recoverable amount. At 30 June 2010, the amount by which the recoverable amount exceeded the carrying value of the assets allocated to the regional free to air broadcasting CGU was $126.7 million.

14 Deferred Taxes

	Consolidated	
	2011 $'000	2010 $'000
The balance comprises temporary differences attributable to:		
Tax losses	–	5,014
Property and equipment	563	2,221
Doubtful debts	589	338
Employee benefits	6,857	3,246
Other provisions	1,395	–
Interest rate swaps	2,138	1,618
Acquisition costs	14,540	16,218
Deferred costs/revenue	4,648	2,070
Licences	(30,775)	–
Borrowings	(668)	–
Other	(70)	(159)
Net balance	(783)	30,566
Disclosed as:		
Deferred tax assets	30,730	30,566
Deferred tax liabilities	(31,513)	–
	(783)	30,566
Movements:		
Balance at the beginning of the financial year	30,566	19,042
Acquisition of subsidiaries	(27,010)	–
Disposal of subsidiary – discontinued operations	–	9,604
Adjustment relating to prior years	1,312	–
Foreign exchange movement – discontinued operations	–	1,168
Credited/(Charged) to income statement	(10,616)	752
Credited to equity	4,965	–
Balance at the end of the financial year	(783)	30,566
Deferred taxes to be recovered after more than 12 months	(13,534)	20,057
Deferred taxes to be recovered within 12 months	12,751	10,509
	(783)	30,566

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15 Subsidiaries

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	Country of incorporation	Class of shares/ units	Effective ownership interest 2011	Effective ownership interest 2010
Southern Cross Media Trust (SCMT)	Australia	Ordinary	100%	100%
Southern Cross Media International Limited (SCMIL)	Bermuda	Ordinary	100%	100%
Southern Cross Media Australia Holdings Pty Limited (SCMAHL)	Australia	Ordinary	100%	100%
Southern Cross Media Australia Pty Limited (SCM) and controlled entities*	Australia	Ordinary	100%	100%

* The acquisition of 100% of the issued capital of Austereo Group Limited was undertaken by a subsidiary of SCM.

The proportion of voting ownership interest is equal to the proportion of voting power held unless otherwise indicated.

16 Current Liabilities – Distribution Payable

	Consolidated 2011 $'000	Consolidated 2010 $'000
Balance at the beginning of the financial year	–	6,117
Provided for during the year	–	13,259
Paid during the year	–	(19,376)
Balance at the end of the financial year	–	–

17 Current Liabilities – Payables

	Consolidated 2011 $'000	Consolidated 2010 $'000
Trade creditors	10,506	6,576
GST payable	4,404	2,532
Other payables including accrued expenses	90,624	46,179
Deferred income	4,497	901
	110,031	56,188

18 Current Liabilities – Provisions

	Consolidated 2011 $'000	Consolidated 2010 $'000
Employee benefits	19,844	10,180
Lease incentives (refer note 21)	242	–
	20,086	10,180

19 Borrowings

(a) Total interest bearing liabilities

Current borrowings

		Consolidated 2011 $'000	Consolidated 2010 $'000
Secured			
Lease liabilities	(b)	116	281
Total secured current interest bearing liabilities		116	281

Non-current borrowings

		Consolidated 2011 $'000	Consolidated 2010 $'000
Secured			
Bank facilities	(b)	725,000	300,000
Borrowing costs		(16,928)	(12,763)
Lease liabilities	(b)	400	307
Total secured non-current interest bearing liabilities		708,472	287,544
Total current and non-current borrowings		708,588	287,825

(b) Bank facilities and assets pledged as security

As a result of the off market takeover of Austereo, Southern Cross Media Australia Pty Ltd ("SCM") entered into a new $765 million bank facility on 25 March 2011. This facility consists of a $725 million term facility, maturing on 26 March 2015, a $30 million working capital facility, and a $10 million working capital facility for bank guarantees/leases/credit cards/merchant facilities. The $30 million working capital facility remains undrawn at 30 June 2011.

The $725 million term facility was drawn down in multiple instalments from 31 March 2011 to 31 May 2011, with $503 million being used to refinance existing SCM and Austereo debt facilities and the remaining $222 million being used to fund the acquisition of Austereo shares.

In addition to the $765 million facility entered into by SCM, the Group entered into an agreement for a $540 million equity bridge finance facility on 25 March 2011 to finance the acquisition of shares in Austereo. Of the $540 million, $458.5 million was drawn down in multiple instalments from 4 April 2011 to 17 May 2011 with the remaining $81.5 million being cancelled. This facility was fully repaid with funds received from the $471.6 million capital raising entitlement offer, with $384.5 million being repaid on 19 April 2011 and the remaining $74 million being repaid on 16 and 18 May 2011. The excess of funds from the rights issue has been used to fund the underwriting costs of the rights issue.

The bank term facilities of 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 26 March 2015 and have an average variable interest rate of 7.81% (2010: 8.39%). These facilities are denominated in Australian dollars.

As is customary with secured finance facilities, there are certain financial and non-financial covenants which are required to be met by subsidiaries in the Group. 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, SCMGL. The first covenant testing date is 31 December 2011.

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.

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FOR YEAR ENDED 30 JUNE 2011

19 Borrowings (continued)
(b) Bank facilities and assets pledged as security (continued)
The carrying amounts of assets pledged as security by SCM for current and non-current borrowings are:

	SCM	
	2011 $'000	**2010 $'000**
Current		
Floating charge		
Cash and cash equivalents	24,738	29,243
Receivables	137,627	83,852
Total current assets pledged as security	162,365	113,095
Floating charge		
Receivables	3,245	–
Investments accounted for using the equity method	11,198	29,643
Other financial assets	541	–
Plant and equipment	183,678	147,933
Intangible assets	2,007,380	1,064,768
Other assets	6,610	477
Total non-current assets pledged as security	2,212,652	1,242,821
Total assets pledged as security	2,375,017	1,355,916

(c) Financing arrangements
Unrestricted access was available at balance date to the following lines of credit:

	Consolidated	
	2011 $'000	**2010 $'000**
Bank facilities	725,000	375,000
Used at balance date	(725,000)	(300,000)
Unused at balance date	–	75,000
Working capital facility	30,000	–
Used at balance date	–	–
Unused at balance date	30,000	–
Working capital facility (bank guarantees/leases/credit cards/merchant facilities)	10,000	–
Used at balance date	(5,260)	–
Unused at balance date	4,740	–
Total facilities	765,000	375,000
Total used at balance date	(730,260)	(300,000)
Total unused at balance date	34,740	75,000

The bank facilities for the Group mature on 26 March 2015. The Group's bank facilities are denominated in Australian dollars as at 30 June 2010 and 30 June 2011.

20 Derivative Financial Instruments

	Consolidated 2011 $'000	Consolidated 2010 $'000
Current liabilities		
Interest rate swap contracts (a)	441	1,228
Total current liabilities derivative financial instruments	441	1,228
Non-current liabilities		
Interest rate swap contracts (a)	6,678	4,164
Total non-current liabilities derivative financial instruments	6,678	4,164

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies (refer to note 27).

(a) Interest rate swap contracts

External borrowings of the Group currently bear an average variable interest rate of 7.81% (2010: 8.49%). 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 97% (2010: 100%) of the loan principal outstanding, however due to rolling commencement dates 48% of the loan principal currently outstanding is covered at 30 June 2011. The current fixed interest rates range between 4.95% and 6.17% (2010: range between 5.97% and 7.26%) and the variable rate is determined with reference to the 90 day bank bill swap rate ("BBSW").

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

	Consolidated 2011 $'000	Consolidated 2010 $'000
Less than 1 year	150,000	150,000
1 – 2 years	–	–
2 – 3 years	200,000	–
3 – 4 years	350,000	150,000

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 2011.

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21 Non-Current Liabilities – Provisions

	Consolidated 2011 $'000	Consolidated 2010 $'000
Employee benefits	3,013	1,454
Lease incentives	1,768	–
Make good	2,238	2,238
	7,019	3,692

Movements in current and non-current provisions, other than provisions for employee benefits, are set out below:

	Consolidated 2011 $'000	Consolidated 2010 $'000
Balance at the beginning of the financial year	2,238	2,238
Acquisition of subsidiaries	2,071	–
Movements in the year	(61)	–
Balance at the end of the financial year	4,248	2,238

22 Contributed Equity

	Consolidated 2011 $'000	Consolidated 2010 $'000
Ordinary shares	1,688,149	1,225,400
Contributed equity	1,688,149	1,225,400

	Consolidated 2011 $'000	Consolidated 2010 $'000
On issue at the beginning of the financial year	1,225,400	941,415
Issue of shares in consideration for acquisition of subsidiaries	1,171	–
Issue of stapled securities in relation to vested ACM employee shares (11 March 2010)	–	37
Capital Raising	471,609	293,584
Buy-backs	–	(2,205)
Issue of shares for dividend reinvestment plan	1,555	–
Costs of raising capital/buy-backs net of tax	(11,586)	(7,431)
On issue at the end of the financial year	1,688,149	1,225,400

	Consolidated Number of securities 2011	Consolidated Number of securities 2010
On issue at the beginning of the financial year	378,828	190,998
Issue of shares in consideration for acquisition of subsidiaries	700	–
Issue of stapled securities in relation to vested ACM employee shares (11 March 2010)	–	9
Capital Raising	325,248	189,409
Buy-backs	–	(1,588)
Issue of shares for dividend reinvestment plan	936	–
On issue at the end of the financial year	705,712	378,828

(a) Securities on issue

Ordinary shares in Southern Cross Media Group Limited

Ordinary shares entitle the holder to participate in distributions and the proceeds on winding up of the Company 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")

On 3 September 2010 the Group announced that the DRP was reopened.

Under the DRP 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. 936,702 shares were issued at $1.66 per share as DRP shares for the 2011 interim dividend. The DRP shares for the 2010 final dividend were purchased on market for $2.1 million rather than shares being issued. 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.

(c) Capital raising

As part of the funding of the Austereo acquisition, the Company undertook a capital raising in the form of a renounceable entitlement offer. The entitlement offer comprised a 6 for 7 accelerated renounceable entitlement offer over fully paid shares in the Company at an issue price of $1.45. The entitlement offer comprised an institutional component and a retail component. The institutional component raised $393.9 million of capital, whilst the retail component raised $77.7 million.

(d) 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.

23 Reserves and Other Equity Transactions

(a) Reserves

	Consolidated	
	2011 $'000	2010 $'000
Balance of reserves		
Foreign currency translation reserve (i)	–	–
Share-based payments reserve (ii)	404	–
Retirement benefit reserve (iii)	–	(339)
	404	(339)
(i) Foreign currency translation reserve – discontinued operations		
Balance at the beginning of the financial year	–	(1,347)
Net foreign exchange differences on translation of foreign subsidiaries	–	12,253
Transfer to income statement on loss of control of foreign subsidiary	–	(10,906)
Balance at the end of the financial year	–	–
(ii) Share-based payments reserve		
Balance at the beginning of the financial year	–	131
Employee share entitlement	404	29
Transferred to contributed equity	–	(37)
Cancellation of options	–	(123)
Balance at the end of the financial year	404	–
(iii) Retirement benefit reserve		
Balance at the beginning of the financial year	(339)	(339)
Actuarial gain	165	–
Transfer to accumulated losses	174	–
Balance at the end of the financial year	–	(339)

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23 Reserves and Other Equity Transactions (continued)

(a) Reserves (continued)

Nature and purpose of reserves

(i) 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 in the prior year was 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.

(ii) *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 in respective of performance rights offered under the Long Term Incentive Plan. During the year no rights have vested and no shares have been granted (2010: 9,490 shares were issued). In the current year, $404,000 has been recognised as an expense in the current year profit or loss as the fair value of potential shares to be issued. Refer to note 30 for further information on the current Long Term Incentive Plan.

On loss of control of ACM at 30 June 2010 the vesting conditions attached to this arrangement were not 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 prior year profit or loss of the Group.

(b) Other equity transactions

	Consolidated	
	2011 $'000	2010 $'000
Other equity transactions		
Reverse acquisition	(77,406)	(77,406)

On 23 November 2005, in connection with the initial public offering of the Group (previously known as Southern Cross Media Group "SCMG"), the Company 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 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.

24 (Accumulated Losses)/Retained Profits

	Consolidated	
	2011 $'000	2010 $'000
Balance at the beginning of the financial year	(115,564)	79,458
Profit/(Loss) attributable to security holders	53,298	(82,676)
Transfer from reserves	(174)	(99,087)
Distributions/dividends provided for or paid	(50,006)	(13,259)
Balance at the end of the financial year	(112,446)	(115,564)

25 Earnings per Share

	Consolidated	
	2011 Cents	2010 Cents
(a) Basic earnings/(loss) per share		
From continuing operations attributable to shareholders/stapled security holders	11.55	5.76
From discontinued operation	–	(29.69)
Total basic earnings/(loss) per share attributable to shareholders/stapled security holders	11.55	(23.93)
(b) Diluted earnings/(loss) per share		
From continuing operations attributable to shareholders/stapled security holders	11.53	5.76
From discontinued operation	–	(29.69)
Total diluted earnings/(loss) per share attributable to shareholders/stapled security holders	11.53	(23.93)

(c) Reconciliation of earnings used in calculating basic and diluted earnings per share

	Consolidated 2011 $'000	Consolidated 2010 $'000
Basic and diluted earnings per share		
Profit/(loss) attributable to shareholders:		
From continuing operations	53,298	19,903
From discontinued operation	–	(102,579)
	53,298	(82,676)

(d) Weighted average number of shares used as the denominator

	Number	Number
Weighted average number of shares used as the denominator in calculating basic earnings per share	461,588,643	345,453,815
Adjustment for shares deemed to be issued at nil consideration in respect of employee performance rights	576,409	–
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	462,165,052	345,453,815

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

	Consolidated 2011 $'000	Consolidated 2010 $'000
Net profit/(loss)	53,298	(82,676)
Impairment of investments and non-current assets	–	9,394
Impairment of goodwill	–	161,181
Depreciation and amortisation	22,143	30,139
Profit on sale of fixed assets/licences	(1,667)	(240)
Share of associates' profits	(1,396)	(1,623)
Dividends received from associates	900	1,850
Fair value movements through profit or loss account	1,327	(22,624)
Transaction costs	6,300	–
Interest expense and other borrowing costs included in financing activities	52,610	75,962
Gain on loss of control of subsidiary	–	(75,227)
Movements in exchange rates	–	1,900
Change in assets and liabilities:		
(Increase)/decrease in receivables	3,155	(820)
(Increase)/decrease in inventory	–	493
(Increase)/decrease in deferred taxes	9,384	(1,712)
Increase/(decrease) in payables	9,875	4,199
Increase/(decrease) in provision for income tax	8,036	(137)
Increase/(decrease) in provisions	637	1,334
Net cash inflow from operating activities	164,602	101,393

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2011

27 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (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 Board 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) cash flow and fair value risk: changes in interest rates.

(i) 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 swaps 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 20 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 +/– 25 basis point movement (2010: 150 basis points) in the relevant interest rates at 30 June 2011 for financial assets and liabilities denominated in Australian Dollars ("AUD"). The following table illustrates the impact on profit or loss with no impact directly on equity for the Group.

	Carrying Value 30 June 2011	Carrying Value 30 June 2010	Impact on post-tax profits 30 June 2011 +/– 25 basis points		Impact on post-tax profits 30 June 2010 +/– 150 basis points	
Consolidated AUD exposures	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets						
Cash at bank	31,644	38,116	79	(79)	572	(572)
Interest rate swaps	(7,119)	(5,392)	(854)	855	(7,444)	7,597
Borrowings	(725,000)	(300,000)	(1,813)	1,813	(4,500)	4,500

For details of the interest rate risk exposures, and the Group's interest rate swaps refer to note 20.

(b) Credit risk

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

The Group 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 trade and other receivables. The Group 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. The Group only accepts independently rated parties with minimum ratings. The board 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 2011	Current 0 – 30 days $'000	Past due 30 – 60 days $'000	Past due 60 – 90 days $'000	Past due >90 days $'000	Total $'000
Consolidated					
Trade receivables	67,159	51,663	2,931	2,688	124,441
Provision for doubtful debts	–	(840)	(259)	(864)	(1,963)

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
Consolidated					
Trade receivables	37,954	30,328	4,091	4,518	76,891
Provision for doubtful debts	–	–	–	(1,128)	(1,128)

Due to the large number of low value receivables in the Group 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.

As at 30 June 2011	Less than 1 year $'000	1 – 2 years $'000	2 – 3 years $'000	3 – 5 years $'000	Greater than 5 years $'000
Consolidated					
Lease liabilities	116	232	147	21	–
Borrowings – Principal	–	–	–	725,000	–
Interest cashflows*	65,524	58,044	59,093	49,338	–
Derivative financial instruments	2,180	1,121	867	(455)	–
Payables	110,031	–	–	–	–

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
Consolidated					
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	–	–	–	–

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

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2011

27 Financial Risk Management (continued)

(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, the Group 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 2011.

Consolidated – at 30 June 2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Derivatives used for hedging	–	7,119	–	7,119
Total Liabilities	–	7,119	–	7,119

Consolidated – 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

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.

28 Business Combinations

On 29 March 2011, the Group acquired a controlling interest in the share capital of Austereo Group Limited ("Austereo"), a leading Australian commercial radio broadcaster with stations in all mainland Australian state capital cities. On 17 May 2011, the Group acquired 100% of the share capital of Austereo.

The purchase price of the acquisition was $723.7 million.

The net assets acquired in the business combination, and the goodwill arising, are as follows:

	Recognised on acquisition $'000	Carrying value $'000
Current assets		
Cash and cash equivalents	1,533	1,533
Trade and other receivables	51,984	51,984
Other current assets	1,647	1,647
Non-current assets		
Receivables	332	332
Investments accounted for using the equity method	7,883	7,883
Other financial assets	541	541
Property, plant and equipment	40,296	40,296
Intangible assets – radio licences	869,953	869,953
Deferred tax assets	5,843	5,843
Current liabilities		
Trade and other payables	(42,157)	(42,157)
Income tax payable	(5,290)	(5,290)
Provisions	(8,270)	(8,270)
Other	(929)	(929)
Non-current liabilities		
Interest bearing loans and borrowings	(204,600)	(204,600)
Deferred tax liabilities	(32,398)	(32,398)
Provisions	(1,507)	(1,507)
Other	(1,828)	(1,828)
Derivatives	(355)	(355)
Fair value of identifiable net assets	682,678	
Goodwill arising on acquisition	41,065	
	723,743	
Cost of the combination:		
Cash payment	722,572	
Fair value of shares issued	1,171	
	723,743	
Costs associated with the acquisition, recognised as an expense in other expenses	6,300	
Contingent consideration	–	
	730,043	
Cash outflow on acquisition to date:		
Consideration paid in cash	722,572	
Less: cash and cash equivalent balances acquired	(1,533)	
	721,039	

The accounting for the acquisition of Austereo is all provisional at this reporting date, using previous carrying values. Accounting for tax balances is also provisional and an assessment of entities joining the tax consolidated group will be performed once the acquisition accounting is finalised.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2011

28 Business Combinations (continued)

Goodwill arose in the acquisition of Austereo because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and increased market share. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Since acquisition date Austereo has contributed revenue of $72.7 million and $12.5 million in profit after tax (excluding acquisition costs) to the Group for the year ended 30 June 2011. Had the acquisition of Austereo been effected at 1 July 2010, revenue for the Group would have been $719 million, earnings before interest and tax of $204 million; and profit after tax would have been $103 million.

Included in Austereo's "investments accounted for using the equity method" is a 50% interest in Radio Newcastle Pty Ltd ("Newcastle"). As the Group already holds the remaining 50% interest in this entity, the acquisition of Austereo has resulted in the combined group owning 100% of Newcastle. As a result, effective 29 March 2011 Newcastle will be consolidated as a subsidiary from this date.

The impact of this transaction is as follows:

	Derecognised on acquisition $'000
Investments accounted for using the equity method – SCMGL	20,962
Investments accounted for using the equity method – Austereo	6,057
	27,019

	Recognised on acquisition $'000	Carrying value $'000
Current assets		
Cash and cash equivalents	2	2
Trade and other receivables	2,325	2,325
Non-current assets		
Receivables	3,443	3,443
Property, plant and equipment	1,941	1,941
Intangible assets – radio licences	3,836	3,836
Deferred tax assets	360	360
Other	1,085	1,085
Current liabilities		
Trade and other payables	(2,440)	(1,527)
Income tax payable	(730)	(1,643)
Provisions	(704)	(704)
Non-current liabilities		
Interest bearing loans and borrowings	(17)	(17)
Deferred tax liabilities	(736)	(736)
Provisions	(45)	(45)
Fair value of identifiable net assets	8,320	
Goodwill arising on acquisition	18,699	
	27,019	

As this transaction is linked to that of Austereo, the accounting for this transaction is all provisional at this reporting date, using previous carrying values. Accounting for tax balances is also provisional and an assessment of entities joining the tax consolidated group will be performed once the acquisition accounting is finalised.

This portion of the transaction is non-cash and there is no net impact on profit after tax of the Group, however there may be an impact on the profit or loss once accounting for the acquisition is finalised.

29 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	2011 $'000	2010 $'000
Current assets	6,994	7,944
Non-current assets	1,502,523	1,091,153
Total assets	1,509,517	1,099,097
Current liabilities	–	–
Non-current liabilities	10,959	3,123
Total liabilities	10,959	3,123
Net assets	1,498,558	1,095,974
Issued capital	1,590,560	1,127,811
Reserves	404	–
Accumulated losses	(92,406)	(31,837)
Total equity	1,498,558	1,095,974
Loss for the year	(10,563)	(115,898)
Total comprehensive income loss	(10,563)	(115,898)

(b) Guarantees entered into by the parent entity

	30 Jun 11 $'000	30 Jun 10 $'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 2011 (30 June 2010 – nil). The parent entity has not given any unsecured guarantees at 30 June 2011 (30 June 2010 – nil).

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2011 (30 June 2010: $nil).

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

As at 30 June 2011, the parent entity had no contractual commitments (30 June 2010: $nil).

30 Share-Based Payments

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), 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 51st percentile against a comparative group of selected media and related listed companies. Between the 51st and 75th 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 75th percentile or higher.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2011

30 Share-Based Payments (continued)

The following long-term incentive plan arrangements were in existence during the current period (2010: nil).

Performance rights series	Number*	Grant Date	Expiry Date	Exercise price $	Fair value at grant date $
Tranche 1	77,512	26/07/2010	01/07/2011	Nil	0.86
Tranche 2	397,688	26/07/2010	01/07/2012	Nil	0.88
Tranche 3	388,850	26/07/2010	01/07/2013	Nil	0.90
Tranche 4	314,783	26/07/2010	01/07/2014	Nil	0.90

* Employees are granted a specific value of rights as compensation and therefore the number of rights to be issued will be based on the fair value at the time of grant.

Rights were priced using a Monte Carlo simulation-based valuation model using the following inputs:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Grant date share price	$1.66	$1.66	$1.66	$1.66
Exercise price	Nil	Nil	Nil	Nil
Dividend yield	3.49%	3.49%	3.49%	3.49%
Risk free interest rate	4.73%	4.78%	4.77%	4.90%
Share price and TSR volatility	47.62%	47.62%	47.62%	47.62%
Peer group TSR volatility	22.15%	22.15%	22.15%	22.15%
Peer group TSR spread	34.90%	34.90%	34.90%	34.90%
Correlation	40.42%	40.42%	40.42%	40.42%

The following reconciles the share rights outstanding at the beginning and end of the year:

2011	Number of rights
Balance at beginning of the year	–
Granted during the year	1,178,833
Forfeited during the year	(78,359)
Balance at end of year	1,100,474
Exercisable at end of the year	1,100,474

The following outlines share rights granted to key management personnel (2010: nil)

2011	Balance at start of year No.	Granted as comp-ensation No.	Forfeited No.	Exercised No.	Balance at end of year No.
Directors					
Max Moore-Wilton	–	–	–	–	–
Leon Pasternak	–	–	–	–	–
Chris de Boer	–	–	–	–	–
Tony Bell	–	–	–	–	–
Michael Carapiet	–	–	–	–	–
Peter Harvie	–	–	–	–	–
Executives					
Rhys Holleran	–	391,796	–	–	391,796
Stephen Kelly	–	227,328	–	–	227,328
Kym Gallagher	–	67,165	–	–	67,165
Greg Dodgson	–	78,359	(78,359)	–	–
Jeremy Simpson	–	89,553	–	–	89,553
Guy Dobson	–	–	–	–	–
Kathy Gramp	–	–	–	–	–
Peter Harvie	–	–	–	–	–
	–	854,201	(78,359)	–	775,842

No rights have vested during the current financial year. At 1 July 2011, Tranche 1 of performance rights vested to 70%.

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 the Company 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	
Peter Harvie	(appointed 1 August 2011)

Executives and five highest paid

Rhys Holleran	CEO
Stephen Kelly	CFO
Kym Gallagher	CFO – Southern Cross Media Australia Pty Ltd until 30 June 2011
Greg Dodgson	COO – Southern Cross Media Australia Pty Ltd until 14 January 2011
Jeremy Simpson	National Sales Director
Guy Dobson	Director of Metropolitan Radio
Kathy Gramp	CFO – Austereo until 30 June 2011
Peter Harvie	Executive Chairman – Austereo until 18 July 2011

During the year, no Key Management Personnel of the Company or the Group has received or become entitled to receive any benefit because of a contract made by the Group 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	
	2011 $'000	2010 $'000
Short-term employee benefits	4,522,407	2,752,092
Post-employment benefits	180,731	92,370
Other long-term benefits	257,425	(370)
Termination payments	629,293	–
Share-based payments	299,137	–
	5,888,993	2,844,092

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2011

31 Related Party Disclosures (continued)
Key Management Personnel (continued)

(b) Key Management Personnel equity holdings

The number of ordinary shares in the Company held during the financial year by Key Management Personnel of the Company and Group, including their personally related parties, is set out below.

2011	Balance at start of year	Changes during year	Balance at end of year
Directors			
Max Moore-Wilton	1,000,000	857,143	1,857,143
Leon Pasternak	519,193	445,023	964,216
Chris de Boer	80,000	68,571	148,571
Tony Bell	140,000	10,276	150,276
Michael Carapiet	618,100	529,800	1,147,900
Peter Harvie	–	–	–
Executives			
Rhys Holleran	116,792	100,107	216,899
Stephen Kelly	–	–	–
Kym Gallagher	39,748	22,401	62,149
Greg Dodgson	–	–	–
Jeremy Simpson	–	–	–
Guy Dobson	–	–	–
Kathy Gramp	–	–	–
Peter Harvie	–	–	–
	2,513,833	2,033,321	4,547,154

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	*(500,000)	*–
Executives			
Rhys Holleran	–	116,792	116,792
Stephen Kelly	–	–	–
Kym Gallagher	39,748	–	39,748
Greg Dodgson	–	–	–
Jeremy Simpson	–	–	–
	2,007,164	506,669	2,513,833

* Resigned on 10 March 2010. Change reflects resignation from position and not disposal of shares.

Performance rights issued to key management personnel have been disclosed in note 30.

(c) Loans to Key Management Personnel

There were no loans made to Key Management Personnel (2010: nil).

(d) Other transactions with Key Management Personnel

During the prior year the Group paid $16,408 for legal advisory services to Freehills, which was a director-related entity in the prior year however was not a director-related entity at any stage during the current financial year.

Subsidiaries and Associates

Ownership interests in subsidiaries are set out in note 15. Details of interests in associates and distributions received from associates are disclosed in note 10. Details of loans due from associates are disclosed in note 9.

Acquisition of Austereo including Refinance and Capital Raising

Macquarie acted as lead advisor on the acquisition of Austereo, in addition to advising on both the refinancing of the new combined group and the associated capital raising. Advisory fees of $8,338,377 were paid by the Group to Macquarie for the financial year ended 30 June 2011 for provision of these services.

Funding during the acquisition was provided through Macquarie via the establishment of a bridge facility. Macquarie received $3,049,338 in establishment, agent and borrowing fees.

Macquarie was joint underwriter for the capital raising and received $6,830,819 in association with its underwriting and management fees. In addition, funds received as part of the capital raising were on deposit with Macquarie which resulted in $131,984 of interest revenue being earned by the Company.

As a result of the refinance in the current year, Macquarie received $42,984,106 in swap and loan payments in its role as outgoing financier.

As a Company shareholder, Macquarie paid $120,136,229 to exercise its rights pursuant to the capital raising during the current financial year.

Other related party transactions
During the year, Macquarie received or was entitled to receive $12,759,295 (2010: $3,206,942) as distributions on securities held.

At 30 June 2011, the Group had funds totalling $6,906,089 (2010: $8,872,182) on deposit with Macquarie. The Group earns interest on deposits at commercial rates. Interest income from deposits with Macquarie included in the determination of the net result from ordinary activities for the year for the Group was $397,943 (2010: $215,222).

Related party transactions associated with the restructure of the ACM Group
As part of the restructuring agreement between ACM and its banking syndicate in the prior year, Macquarie was granted an ownership interest in the ACM Group for nil consideration.

Comparative Disclosures
Prior to the internalisation on 10 March 2010 Macquarie was considered related parties in both its capacity as Responsible Entity/Manager and as director related entities. Post internalisation Macquarie is considered a related party solely by virtue of being director related entities. As a result the following transactions with Macquarie relate to the prior year only.

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

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

Former Responsible Entity (comparative disclosure only)
Southern Cross Media No.5 Limited ("SCM5"), a wholly owned subsidiary of Macquarie up to 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 (comparative disclosure only)
Base management fees paid to the former Responsible Entity/Manager (SCM5) from the Group were $4,577,521 during the year ended 30 June 2010. SCMT's share was $3,987,796 and SCMIL's share was $589,725. The base fee was calculated as 1.50% per annum of the net investment value of the Group at the end of each quarter up to the date of Internalisation of 10 March 2010.

Termination fee (comparative disclosure only)
The Group paid Macquarie $40.5 million on 10 March 2010 to terminate its management arrangement with Macquarie (the "Internalisation").

Custodian's fees (comparative disclosure only)
Under the terms of the Custody Agreements with Trust Company Limited, fees paid or payable to the Custodian by the Group were $83,491 for the financial year ended 30 June 2010.

Related party transactions associated with the refinancing of external finance facilities (comparative disclosure only)
SCM engaged Macquarie 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.

Redeemable preference shares (comparative disclosure only)
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.

Other related party transactions (comparative disclosures only)
During the prior year the Group reimbursed Macquarie $195,110 representing out-of-pocket expenses incurred by the former Responsible Entity/Manager in the performance of its duties.

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

Related party transactions associated with the Buy Back Program (comparative disclosure only)
In the year ended 30 June 2010, the Group paid Macquarie $4,850 representing brokerage and advisory fees related to the Buy Back Program for the Group.

Related party transactions associated with the Recapitalisation (comparative disclosure)
In the year ended 30 June 2010, the Group paid Macquarie $3,010,981 representing underwriting fees relating to the Recapitalisation for the Group.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2011

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 Group CEO and the Company Board of Directors. Management has determined that the Group has two operating segments being the regional free to air commercial radio and television broadcasting segment included in the SCM group of companies and the metropolitan radio broadcasting segment included in the Austereo group of companies.

As the SCM and Austereo group of companies have similar economic characteristics, the two operating segments have been aggregated, as permitted under AASB 8, to form one reportable segment, being "free to air broadcasting".

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

With free to air broadcasting as the only remaining segment in both the current and prior financial years, 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.

33 Commitments

	Consolidated 2011 $'000	Consolidated 2010 $'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	24,508	3,611
Later than one year but not later than five years	3,702	9,069
	28,210	12,680
Operating leases		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	23,381	14,210
Later than one year but not later than five years	68,766	39,512
Later than five years	40,564	24,179
	132,711	77,901
Finance lease payment commitments		
Finance lease commitments are payable as follows:		
Within one year	154	313
Later than one year but not later than five years	434	345
Later than five years	–	–
	588	658
Less: Future lease finance charges	(72)	(70)
	516	588
Lease liabilities provided for in the financial statements:		
Current	116	281
Non-current	400	307
Total lease liability	516	588

34 Events Occurring after Balance Sheet Date
No matters or circumstances have arisen since the end of the year that have significantly affected or may significantly affect the operations of the Group, the results of those operations in future financial years or the state of affairs of those entities in periods subsequent to the year ended 30 June 2011.

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 26 to 68 are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the 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
Chairman

Sydney, Australia
23 August 2011

Chris de Boer
Director

Sydney, Australia
23 August 2011

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SOUTHERN CROSS MEDIA GROUP LIMITED

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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 2011 and 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 Austereo (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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. 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.

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

PricewaterhouseCoopers, ABN 52 780 433 757

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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 2011 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 17 to 23 of the directors' report for the year ended 30 June 2011. 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 2011, complies with section 300A of the *Corporations Act 2001.*

PricewaterhouseCoopers

PricewaterhouseCoopers

Scott Walsh
Partner

Sydney
23 August 2011

PricewaterhouseCoopers, ABN 52 780 433 757

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ADDITIONAL STOCK EXCHANGE INFORMATION

The Company only has one class of shares, fully paid ordinary shares, therefore all holders listed hold fully paid ordinary shares and each holder has the same voting rights.

There are no unlisted securities and there is currently no on-market buy back.

Twenty Largest Shareholders at 2 September 2011:

	Fully Paid Ordinary Shares	% of Issued Capital
Macquarie Diversified Asset Advisory Pty Ltd	173,719,253	24.62
National Nominees Limited	97,732,684	13.85
HSBC Custody Nominees (Australia) Limited	80,435,902	11.40
J P Morgan Nominees Australia Limited	77,234,952	10.94
Citicorp Nominees Pty Ltd	35,777,094	5.07
Brispot Nominees Pty Ltd	28,825,288	4.08
J P Morgan Nominees Australia Limited	25,909,500	3.67
Cogent Nominees Pty Ltd	21,368,026	3.03
Neweconomy Com Au Nominees Pty Limited	21,247,692	3.01
AMP Life Limited	9,333,450	1.32
Cladela Pty Ltd	7,795,672	1.10
Queensland Investment Corporation	7,143,707	1.01
Argo Investments Limited	5,940,784	0.84
Macquarie Capital Group Limited	5,794,653	0.82
Australian Reward Investment Alliance	5,605,222	0.79
UCA Growth Fund Limited	4,500,000	0.64
Share Direct Nominees Pty Ltd	3,500,000	0.50
UBS Nominees Pty Ltd	2,691,684	0.38
HSBC Custody Nominees (Australia) Limited	2,617,730	0.37
Mr Nicholas Moore	1,975,759	0.28
	619,149,052	87.73

Distribution of Shareholdings at 2 September 2011:

Range	No. of Shareholders	No. of Shares
1 – 1,000	850	374,302
1,001 – 5,000	2,172	6,349,214
5,001 – 10,000	1,131	8,731,107
10,001 – 100,000	1,552	38,431,649
100,001 and over	113	651,825,914
	5,818	705,712,186
Holding less than a marketable parcel	-	-

Substantial Shareholders at 2 September 2011:

	Fully Paid Ordinary Shares
Macquarie Diversified Asset Advisory Pty Ltd	173,719,253
National Nominees Limited	97,732,684
HSBC Custody Nominees (Australia) Limited	80,435,902
J P Morgan Nominees Australia Limited	77,234,952
	429,122,791

CORPORATE DIRECTORY

Company Secretary
Ms L Bolger

Registered Office
Level 2
257 Clarendon Street
South Melbourne Vic 3205

Share Registry
Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000