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SOUTHERN CROSS AUSTEREO

FINANCIAL REPORT
FOR YEAR ENDED 30 JUNE 2012

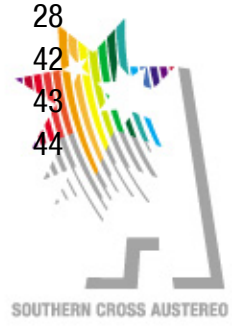
Southern Cross Austereo comprises Southern Cross Media Group Limited and its respective subsidiaries.

Southern Cross Media Group Limited is a company limited by shares and incorporated and domiciled in Australia. The registered office of Southern Cross Media Group Limited is Level 2, 257 Clarendon Street, South Melbourne, Victoria 3205, Australia.



CONTENTS

Corporate Governance Statement	1
Principle 1: Lay Solid Foundations for Management and Oversight	1
Principle 2: Structure the Board to Add Value	2
Principle 3: Promote Ethical and Responsible Decision Making	3
Principle 4: Safeguard Integrity in Financial Reporting	4
Principle 5: Make Timely and Balanced Disclosure	4
Principle 6: Respect the Rights of Shareholders	5
Principle 7: Recognise and Manage Risk	5
Principle 8: Remunerate Fairly and Responsibly	5
Directors' Report	7
Directors	7
Principal Activities	7
Review and Results of Operations	7
Distributions and Dividends	9
Significant Changes in State of Affairs	9
Events Occurring After Balance Date	9
Likely Developments and Expected Results of Operations	9
Indemnification and Insurance of Officers and Auditors	9
Environmental Regulation	9
Information on Directors	10
Information on Company Secretary	11
Meetings of Directors	12
Remuneration Report	13
Non-Audit Services	21
Auditor's Independence Declaration	22
Statement of Comprehensive Income	23
Statement of Financial Position	24
Statement of Changes in Equity	25
Statement of Cash Flows	27
Notes to the Financial Statements	28
1. Summary of Significant Accounting Policies	28
2. Profit for the Year	42
3. Remuneration of Auditors	43
4. Income Tax Expense	44



CONTENTS

5.	Dividends Paid and Proposed	45
6.	Current Assets – Cash and Cash Equivalents	45
7.	Current Assets – Receivables	46
8.	Non-Current Assets – Receivables	46
9.	Non-Current Assets – Investments Accounted for Using the Equity Method	47
10.	Non-Current Assets – Other Financial Assets	49
11.	Non-Current Assets – Property, Plant and Equipment	49
12.	Non-Current Assets – Intangible Assets	52
13.	Deferred Taxes	56
14.	Subsidiaries	57
15.	Current Liabilities – Payables	57
16.	Current Liabilities – Provisions	58
17.	Borrowings	58
18.	Derivative Financial Instruments	60
19.	Non-Current Liabilities – Provisions	61
20.	Contributed Equity	62
21.	Reserves and Other Equity Transactions	64
22.	Accumulated Losses	65
23.	Earnings per Share	66
24.	Reconciliation of Profit after Income Tax to Net Cash Inflow from Operating Activities	67
25.	Financial Risk Management	68
26.	Business Combinations	71
27.	Parent Entity Financial Information	76
28.	Share-Based Payments	77
29.	Related Party Disclosures	80
30.	Segment Information	84
31.	Commitments	85
32.	Events Occurring after Balance Sheet Date	86
	Directors' Declaration	87
	Independent auditor's report to the members of Southern Cross Media Group Limited	88

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

Corporate Governance Statement

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 28 August 2012.

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 Austereo website www.scmmediagroup.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 Austereo website.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

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)
Marina Darling	Independent Director (appointed 12 September 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. As at the date of this report, the Board comprises a majority of independent directors ensuring 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 four 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.

Principle 2: Structure the Board to Add Value (continued)

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.

Until 25 October 2011 the Committee, whilst consisting of a majority of independent directors, was chaired by Max Moore-Wilton who did 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". Tony Bell, an independent director, now chairs the Committee.

Members of the Nomination and Remuneration Committee and their attendance at committee meetings for the 2012 financial year are set out in the Directors' Report.

The Nomination and Remuneration Committee Charter is available on the Southern Cross Austereo 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 June 2012.

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.

Mix of Skills and Diversity

The Nomination and Remuneration Committee is responsible for making recommendations to the Board on the most appropriate Board size and composition. This responsibility includes making recommendations on the desirable competencies, experience and attributes of Board members and strategies to address Board diversity.

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

The Group's Diversity Policy covers women in the workplace, employees with an ethnic or indigenous background and disability. It is approved by the Board and overseen by the Nomination and Remuneration Committee.

The measurable objectives set by the Board for achieving gender diversity are:

- Percentage of women in senior management positions to be 35% by 2015
- Percentage of women in middle management positions to be 40% by 2015
- At least one female non-executive/independent director at all times

With 28% of women presently in senior management positions the objective of achieving 35% of women in such positions by 2015 will be challenging. The gap between the objective of achieving 40% of women in middle management positions by 2015 and the current 31% of women employed in these positions is similarly challenging. Both objectives are being worked towards through succession planning, leadership and management development programs and strengthening the Group's internal capabilities. The Group currently meets its objective of at least one female non-executive/independent director.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

Principle 3: Promote Ethical and Responsible Decision Making (continued)

Diversity (continued)

The following table discloses the gender diversity of the Group:

Category	%Female	%Male
Board	14%	86%
Senior management roles	28%	72%
Middle management roles	31%	69%
Employees	54%	46%

Both the Code of Conduct and Diversity Policy are available on the Southern Cross Austereo website.

Principle 4: Safeguard Integrity in Financial Reporting

Audit and Risk Committee

The Company's Audit and Risk Committee comprises of four 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 Southern Cross Austereo 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 Annual General Meeting ("AGM") and is available to answer security holder questions on the conduct of the audit, and the preparation and content of the auditor's report.

Principle 5: Make Timely and Balanced Disclosure

It is 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 Austereo 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 Austereo website.

Investors are encouraged to attend the AGM which will be held in October 2012. 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 Austereo 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 assists 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 financial (including investment, compliance, liquidity, credit, interest rate risk), reputation, technology, regulatory, legal, operational, people (including occupational health and safety, environmental and social responsibilities), 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 do 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 Austereo 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.

Principle 8: Remunerate Fairly and Responsibly (continued)

Nomination and Remuneration Committee (continued)

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.

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FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

Directors' Report

The directors of Southern Cross Media Group Limited ("the Company") submit the following report for Southern Cross Austereo, being Southern Cross Media Group Limited and its subsidiaries for the year ended 30 June 2012. 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)
- Marina Darling (appointed 12 September 2011)

Principal Activities

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

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

Review and Results of Operations

The Southern Cross Austereo group delivered an increase in revenue of 39% to \$687.3m million, up from \$492.8 million in the prior year. This is the first full year result with a full year of results from the Austereo acquisition consolidated into the Group result (prior year 3 months). The Group focussed on achieving operational efficiencies resulting in an increase in EBITDA of 40% to \$225.8 million, up from \$161.0 million in the prior year. Net profit after tax was up by 48% to \$95.0 million, up from \$64.1 million in the prior year. A further discussion of the results is outlined below.

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

Regional Free to Air Broadcasting

For the 12 months ended 30 June 2012 the regional business produced revenue from operations (including revenue from associates) of \$416.9 million, down 4.4% from the prior year. Underlying EBITDA finished at \$129.2 million and EBIT of \$110 million.

The uncertain and patchy market conditions prevalent in the last half of FY11 did not abate during FY12 and became steadily worse. As a result of falling audience ratings, the Regional television business has had a very difficult year. In the first half there was no comparative event to replace the Commonwealth Games with the ratings slide continuing through traditionally weak summer months.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

Review and Results of Operations (continued)

Regional Free to Air Broadcasting (continued)

The loss of AFL and new programs failing to increase audiences in the second half has manifested itself in a year on year revenue reduction of \$20.7 million.

Regional radio was once again very resilient and despite the most difficult trading conditions since the Global Financial Crisis, advertising revenues grew 3.4% and total revenue from regional radio grew by 1.0%. Regional radio revenue generated at a National level was the stand out performer growing 13%. The ability for advertisers to have "All Australia" buys and the introduction of Regional options to Metro clients arising from the acquisition have contributed to a great result in this area. Locally, revenue remained flat and reflected local economic conditions, however the decline in the Channel Ten audience share has been the prevailing weak spot during the year.

Once again cost control has remained a strength of the business operationally.

Metropolitan Free to Air Broadcasting

For the 12 months ended 30 June 2012 the metropolitan business produced revenue from operations of \$273.6 million, down 3.2% from the prior year. Underlying EBITDA finished at \$98.8 million and EBIT of \$91.1 million.

The Metro radio business has performed well off the back of a record year in 2010. Revenue loss was expected with the transition of Hamish & Andy from five afternoons per week to one, and the establishment of Fifi & Jules in the other four afternoons. 2dayFM in Sydney has underperformed since the Kyle Sandilands incident in November 2011. Revenue loss plus increased compliance costs have been issues that have impacted the results of the second half of the year.

Despite these changes, the Today network has maintained its number 1 ranking as the leading commercial metropolitan radio network and Triple M has continued to improve ratings performance in the two leading markets of Sydney and Melbourne. Triple M Melbourne in particular has had a breakout year and continues to rate well with audiences and attract strong support from advertisers.

A key focus during the year was to ensure the business remained diligently committed to delivering the revenue and cost benefits arising from the merging of the metropolitan and regional businesses. In this regard, we are pleased with the progress which is ahead of schedule, resulting in EBIT improvement of 4.6% (\$4 million).

Income Tax

Net profit before tax has been negatively impacted by \$10.9 million due to interest accrued on amended tax assessments, with an income tax benefit recognised for the tax deduction allowed for interest. Income tax expense has been positively impacted by a \$39.5 million income tax benefit recognised as a result of the companies acquired in the Austereo business combination entering into the tax consolidated group of Southern Cross Media Group Limited, and negatively impacted by a \$32.9 million provision for tax being raised in respect of amended assessments in relation to the Australian Taxation Office ("ATO") audit of treatment of deductions on redeemable preference shares claimed between 2006 and 2009. Southern Cross Austereo has lodged objections with the ATO for the amended assessments. Refer to note 4 for further information on these tax matters.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

Distributions and Dividends

Type	Cents per share	Total Amount \$'000	Date of Payment
Final 2010 Ordinary	6.2	23,487	8 October 2010
Interim 2011 Ordinary	7.0	26,519	25 May 2011
Final 2011 Ordinary	3.0	21,173	20 October 2011
Interim 2012 Ordinary	5.0	35,230	19 April 2012

Since the end of the financial year the directors have recommended the payment of a final ordinary dividend of \$35.3 million (5 cents per fully paid share). This dividend will be paid on 19 October 2012 by the Company.

Significant Changes in State of Affairs

In the opinion of the directors, there were no 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 2012.

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 \$172,245 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.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

Information on Directors

Chairman *Age 69, Appointed 27 February 2007*

Max Moore-Wilton

Max Moore-Wilton is the chairman of the Board and a committee member of the Nomination and Remuneration Committee. Prior to his appointment Max has had a distinguished career in both the private and public sectors and was secretary to the Department of Prime Minister and Cabinet from May 1996 to December 2002 where he oversaw fundamental reform of the Commonwealth Public Service.

Other Current Directorships

Max currently serves as chairman of the boards of the following listed companies:

- MAp Airports Limited
- Southern Cross Airports Corporation Holdings Limited

Former Directorships in the last 3 years

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

Independent Director *Age 57, Appointed 26 September 2005*

Leon Pasternak

Leon Pasternak is the deputy chairman of the Board and is a committee member of the Nomination and Remuneration 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 3 years

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

Independent Director *Age 67, Appointed 20 September 2005*

Chris de Boer

Chris de Boer is chairman of the Audit and Risk Committee and a committee member of the Nomination and Remuneration Committee. Chris 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.

Other Current Directorships

Chris has no other current directorships in listed companies.

Former Directorships in the last 3 years

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

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

Information on Directors (continued)

Independent Director
Tony Bell

Age 58, Appointed 2 April 2008

Tony Bell is chairman of the company's Nomination and Remuneration Committee and a committee member of the Audit and Risk Committee. Tony 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.

Other Current Directorships

Tony has no other current directorships in listed companies.

Former Directorships in the last 3 years

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

Non-executive Director
Michael Carapiet

Age 53, 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 Carapiet 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 3 years

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

Non-executive Director
Peter Harvie

Age 73, Appointed 1 August 2011

Peter Harvie is a committee member of the company's Nomination and Remuneration Committee. Peter 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 3 years

Peter ceased being a director of Austereo Group Limited on 18 July 2011.

Independent Director
Marina Darling

Age 53, Appointed 12 September 2011

Marina Darling is a committee member of the company's Audit and Risk Committee. Marina is an experienced company director and has worked in an executive capacity in the legal and corporate finance sectors and property development. Marina is currently a non-executive director of The Mirvac Group and has previously been a non-executive director of a broad range of listed companies, government bodies and other organisations. These have included Southern Cross Broadcasting Limited, National Australia Trustees Limited, GIO Holdings Limited, Deacons (Lawyers) and Southern Hydro Limited.

Other Current Directorships

Marina was appointed a director of The Mirvac Group (through the stapling of securities of Mirvac Limited and Mirvac Property Trust) on 23 January 2012.

Former Directorships in the last 3 years

Marina ceased being a director of Argo Investments Limited on 29 February 2012.

Information on Company Secretary

Louise Bolger
BA, LLB (Hons)

Appointed 14 April 2010

Louise Bolger 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.



FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

Meetings of Directors

The number of meetings of the board of directors and of other committee meetings held during the year ended 30 June 2012, and the numbers of meetings attended by each director were:

	Meetings of committees								
	Full meetings of directors		Audit and Risk		Nomination and Remuneration		Independent Board		
	A	B	A	B	A	B	A	B	
Director									
Max Moore-Wilton (Chairman)	11	11	*	*	4	4	*	*	
Leon Pasternak	11	11	4	4	4	4	-	-	
Chris de Boer	11	11	4	4	4	4	-	-	
Tony Bell	11	11	4	4	4	4	-	-	
Michael Carapiet	11	11	*	*	*	*	*	*	
Peter Harvie	11	11	*	*	2	2	*	*	
Marina Darling	7	9	3	3	*	*	-	-	

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

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FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

Remuneration Report

Contents

1. Introduction
2. Principles used to determine the nature and amount of remuneration
3. Details of remuneration
4. Service agreements
5. Other remuneration information

1. Introduction

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

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 with 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.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

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

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 package.

The directors 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.

The following non-executive directors fees have applied in the years ended 30 June 2012 and 30 June 2011 for the Company:

	From 1 July 2011 to 30 June 2012	From 1 July 2010 to 30 June 2011
	\$	\$
Base fees – Annual		
Chair**	250,000	220,000
Deputy Chair**	161,500	-
Other non-executive directors	125,000	110,000
Additional fees – Annual		
Audit Committee – Chair	21,000	21,000
Audit Committee – member	14,000	14,000
Remuneration Committee - Chair	15,000	-
Remuneration Committee - member	10,000	10,000
IBC fees	-	51,325*

* 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.

** 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.

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

2.2 Executive pay (continued)

Superannuation

The Group operates a defined contribution retirement scheme. In prior years a defined benefit retirement scheme was operated however this was closed during the prior 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 budgeted 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 grant of rights are exercisable subject to a three or four year performance period, and the satisfaction of set performance criteria during the period. The performance criteria take 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.

For the three year performance period, performance rights vest progressively over the three year performance period with 1/3rd vesting at year 1, 1/3rd at year 2 and 1/3rd at year 3, subject to performance criteria being met. For the four year performance period, 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 for the four year performance period, subject to performance criteria being met.

The Board has the discretion to either purchase shares on market or to issue new shares in respect of vesting performance rights. To date, the Board has elected to issue new shares for vesting performance rights.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

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

2.2 Executive pay (continued)

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 2012	Restated 30 June 2011	30 June 2010	30 June 2009	30 June 2008
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	687,313	492,811	406,909	393,483	427,301
Net profit before tax	126,282	87,232	24,185	(15,724)	23,245
Net profit after tax	95,022	64,060	19,903	18,640	19,732
	30 June 2012	30 June 2011	30 June 2010	30 June 2009	30 June 2008
Opening share price	\$1.55	\$1.64	\$1.32	\$2.95	\$4.85
Closing share price	\$1.20	\$1.55	\$1.64	\$1.32	\$2.95
Dividend/Distribution	10.0c	10.0c	9.7c	7.7c	47.0c

3. Details of remuneration

Details of the remuneration of Key Management Personnel 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)

Marina Darling (appointed 11 September 2011)

Executives

Rhys Holleran CEO

Stephen Kelly CFO

Jeremy Simpson National Sales Director (ceased 23 February 2012)

Guy Dobson Director of Metropolitan Radio

Craig Bruce Head of Content

Cathy Thomas National Sales Director (appointed 23 February 2012)

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

3. Details of remuneration (continued)

Key management personnel remuneration

2012 Name	Short-term employee benefits			Post-employment benefits		Termination	Share-based payments		Proportion of performance related remuneration	
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super contribution	Other long-term benefits ⁴		Performance rights	Total	STI	SBP
	\$	\$	\$	\$	\$	\$	\$	\$	% of rem	% of rem
<i>Non-executive directors</i>										
Max Moore-Wilton (Chair)	232,544	-	-	17,456	-	-	-	250,000	0%	0%
Leon Pasternak	146,965	-	-	14,535	-	-	-	161,500	0%	0%
Chris de Boer	141,960	-	-	14,040	-	-	-	156,000	0%	0%
Tony Bell	149,000	-	-	-	-	-	-	149,000	0%	0%
Michael Carapiet	125,000	-	-	-	-	-	-	125,000	0%	0%
Peter Harvie ¹	68,862	-	634,914	3,944	-	776,538	-	1,484,258	0%	0%
Marina Darling	109,458	-	-	-	-	-	-	109,458	0%	0%
Sub-total non-executive directors	973,789	-	634,914	49,975	-	776,538	-	2,435,216		
<i>Executives</i>										
Rhys Holleran	700,000	229,650	55,786	25,000	38,817	-	252,752	1,302,005	18%	19%
Stephen Kelly	500,003	153,100	3,906	50,002	351	-	177,760	885,122	17%	20%
Jeremy Simpson ²	194,698	55,000	8,455	14,360	7,338	-	48,143	327,994	17%	15%
Guy Dobson	984,225	-	31,779	15,775	49,317	-	-	1,081,096	0%	0%
Craig Bruce	521,724	45,000	2,849	15,775	41,531	-	76,381	703,260	6%	11%
Cathy Thomas ³	141,408	-	2,570	3,944	20,259	-	-	168,181	0%	0%
Sub-Total executive	3,042,058	482,750	105,345	124,856	157,613	-	555,036	4,467,658		
Total	4,015,847	482,750	740,259	174,831	157,613	776,538	555,036	6,902,874		

1 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 prior to this date. No directors fees were paid to Mr Harvie during the period.

2 Remuneration disclosed is for the period 1 July 2011 to 23 February 2012 when Jeremy Simpson was National Sales Director. Mr Simpson took the position of General Manager – Sydney on 23 February 2012 and ceased being Key Management Personnel.

3 Remuneration disclosed is for the period 23 February 2012 to 30 June 2012 after Cathy Thomas was appointed National Sales Director.

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.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

3. Details of remuneration (continued)

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	STI	SBP
	\$	\$	\$	\$	\$	\$	\$	\$	% of rem	% of rem
<i>Non-executive directors</i>										
Max Moore-Wilton (Chair)	205,540	-	-	15,991	-	-	-	221,531	0%	0%
Leon Pasternak	147,620	-	-	13,286	-	-	-	160,906	0%	0%
Chris de Boer	141,360	-	-	12,722	-	-	-	154,082	0%	0%
Tony Bell	148,625	-	-	-	-	-	-	148,625	0%	0%
Michael Carapiet	55,000	-	-	-	-	-	-	55,000	0%	0%
Peter Harvie ²	-	-	-	-	-	-	-	-		
Sub-total non-executive directors ¹	698,145	-	-	41,999	-	-	-	740,144		
<i>Executives</i>										
Rhys Holleran	700,000	300,000	42,034	25,000	278,571	-	126,376	1,471,981	20%	9%
Stephen Kelly	375,000	400,000	-	25,000	13,712	-	122,210	935,922	43%	13%
Kym Gallagher	360,238	72,551	53,873	25,000	6,285	-	21,665	539,612	13%	4%
Greg Dodgson ⁵	147,052	-	14,487	10,416	(68,388)	-	-	103,567	0%	0%
Jeremy Simpson	242,377	150,000	-	36,350	12,216	-	28,886	469,829	32%	6%
Guy Dobson ³	246,200	87,500	3,114	3,800	16,474	-	-	357,088	25%	0%
Kathy Gramp ^{3,6}	83,406	340,000	255	6,700	-	629,293	-	1,059,654	32%	0%
Peter Harvie ^{2,3}	204,064	-	2,111	6,466	(1,445)	-	-	211,196	0%	0%
Sub total executive	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 this date.

6 \$300,000 of cash bonus relates to pre-acquisition bonus payment paid on 31 March 2011.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

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 superannuation \$'000	STI (on target)	LTI Value	Termination notice period
Rhys Holleran	Permanent	725	300	350	12 mths Group/ 6 mths employee
Stephen Kelly	Permanent	550	200	200	6 mths either party
Guy Dobson	Fixed term until 5 January 2013	1,000	250	-	12 mths either party
Craig Bruce	Permanent	540	60	125	12 mths either party
Cathy Thomas	Permanent	440	80	-	3 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.

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:

2011 Performance rights series	Grant Date	Expiry Date	Fair value at grant date \$	Vesting date	Percentile ranking	% vested
2011 - Tranche 1	25/11/2011	n/a	0.51	01/07/2012	n/a *	n/a *
2011 - Tranche 2	25/11/2011	n/a	0.62	01/07/2013	n/a	n/a
2011 - Tranche 3	25/11/2011	n/a	0.67	01/07/2014	n/a	n/a
2011 - Tranche 4	25/11/2011	n/a	0.68	01/07/2015	n/a	n/a

* On 1 July 2012, 2011 – Tranche 1 performance rights were assessed and determined to be at the 49th percentile, with 0% of shares vesting.

2010 Performance rights series	Grant Date	Expiry Date	Fair value at grant date \$	Vesting date	Percentile ranking	% vested
2010 - Tranche 1	26/07/2010	n/a	0.86	01/07/2011	60 th percentile	70%
2010 - Tranche 2	26/07/2010	n/a	0.88	01/07/2012	n/a **	n/a **
2010 - Tranche 3	26/07/2010	n/a	0.90	01/07/2013	n/a	n/a
2010 - Tranche 4	26/07/2010	n/a	0.90	01/07/2014	n/a	n/a

** On 1 July 2012, 2010 – Tranche 2 performance rights were assessed and determined to be at the 63.1st percentile, with 76.2% of shares vesting.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

5. Other remuneration information (Continued)

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

	Performance rights series	\$ granted	No. granted	No. vested	No. forfeited
Directors					
Max Moore-Wilton	-	-	-	-	-
Leon Pasternak	-	-	-	-	-
Chris de Boer	-	-	-	-	-
Tony Bell	-	-	-	-	-
Michael Carapiet	-	-	-	-	-
Peter Harvie	-	-	-	-	-
Marina Darling	-	-	-	-	-
Executives					
Rhys Holleran	2011 - Tranche 2 to 4 (incl.)	350,000	533,817	-	-
Stephen Kelly	2011 - Tranche 1 to 3 (incl.)	200,000	337,715	-	-
Stephen Kelly	2010 - Tranche 1	-	-	54,258	23,253
Jeremy Simpson	2011 - Tranche 2 to 4 (incl.)	120,000	183,023	-	-
Guy Dobson	-	-	-	-	-
Craig Bruce	2011 - Tranche 1 to 3 (incl.)	125,000	211,072	-	-
Cathy Thomas	-	-	-	-	-

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:

	2012	2011
Max Moore-Wilton	1,857,143	1,857,143
Leon Pasternak	1,064,216	964,216
Chris de Boer	148,571	148,571
Tony Bell	160,118	150,276
Michael Carapiet	1,347,900	1,147,900
Peter Harvie	-	-
Marina Darling	-	-
Macquarie Group Limited and controlled entities	179,513,906	179,513,906
	<u>184,091,854</u>	<u>183,782,012</u>

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

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 (PricewaterhouseCoopers and Ernst & Young in the prior year) 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 and Risk 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.

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 22.

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
28 August 2012



Chris de Boer
Director
Southern Cross Media Group Limited
Sydney, Australia
28 August 2012



Auditor's Independence Declaration

As lead auditor for the audit of Southern Cross Media Group Limited for the year ended 30 June 2012, 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.

A handwritten signature in black ink, appearing to read 'Chris Dodd', is written over a faint, circular watermark.

Chris Dodd
Partner
PricewaterhouseCoopers

Melbourne
28 August 2012

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FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

Statement of Comprehensive Income

	Note	Consolidated	
		2012	Restated
		\$'000	2011 \$'000
Revenue from continuing operations	2	687,313	492,811
Broadcast and production costs		(115,361)	(117,804)
Employee expenses	2	(175,458)	(120,873)
Selling costs		(70,699)	(33,823)
Occupancy costs	2	(31,827)	(19,607)
Promotions and marketing		(12,529)	(7,063)
Administration costs		(54,994)	(38,645)
Fair value gains on business combinations	26	-	10,938
Transaction costs		-	(6,300)
Share of net (losses) / profits of investments accounted for using the equity method	9	(665)	1,396
Profit before depreciation, amortisation, interest, fair value movements on financial derivatives and income tax expenses for the year		225,780	161,030
Depreciation and amortisation expense	2	(30,523)	(22,254)
Interest expense and other borrowing costs	2	(71,699)	(52,610)
Interest revenue	2	2,724	2,393
Fair value losses on financial derivatives – interest rate swaps	2	-	(1,327)
Profit before income tax expense for the year		126,282	87,232
Income tax expense	4	(31,260)	(23,172)
Profit after income tax expense for the year		95,022	64,060
Other comprehensive (loss) / income			
Other comprehensive (loss) / income for the year, net of tax		(13,529)	165
Total comprehensive profit for the year attributable to shareholders		81,493	64,225
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	23	13.48	13.88
Diluted earnings per share (cents)	23	13.45	13.86

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

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

Statement of Financial Position

	Note	Consolidated	
		2012	Restated
		\$'000	2011 \$'000
Current assets			
Cash and cash equivalents	6	97,175	31,644
Receivables	7	132,623	138,796
Total current assets		229,798	170,440
Non-current assets			
Receivables	8	5,796	3,750
Investments accounted for using the equity method	9	10,581	11,198
Property, plant and equipment	11	172,517	183,678
Intangible assets	12	2,036,890	2,036,929
Other financial assets	10	141	200
Deferred tax assets	13	19,143	-
Total non-current assets		2,245,068	2,235,755
Total assets		2,474,866	2,406,195
Current liabilities			
Payables	15	118,244	111,134
Provisions	16	21,657	20,199
Borrowings	17	16,228	6,116
Current tax liabilities		56,942	14,969
Derivative financial instruments	18	-	441
Total current liabilities		213,071	152,859
Non-current liabilities			
Provisions	19	12,388	13,796
Borrowings	17	690,788	702,472
Deferred tax liabilities	13	-	20,584
Derivative financial instruments	18	24,249	6,722
Total non-current liabilities		727,425	743,574
Total liabilities		940,496	896,433
Net assets		1,534,370	1,509,762
Equity			
Contributed equity	20	1,686,878	1,688,149
Reserves	21	(12,336)	404
Other equity transaction	21	(77,406)	(77,406)
Accumulated losses	22	(63,064)	(101,683)
Equity attributable to equity holders		1,534,072	1,509,464
Non-controlling interest		298	298
Total equity		1,534,370	1,509,762

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

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

Statement of Changes in Equity

2012	Consolidated						
	Contributed equity \$'000	Reserves \$'000	Other equity transaction \$'000	Accumulated losses \$'000	Total \$'000	Non- controlling interest \$'000	Total equity \$'000
Restated total equity at 1 July 2011	1,688,149	404	(77,406)	(101,683)	1,509,464	298	1,509,762
Profit for the year	-	-	-	95,022	95,022	-	95,022
Other comprehensive income	-	(13,529)	-	-	(13,529)	-	(13,529)
Total comprehensive income	-	(13,529)	-	95,022	81,493	-	81,493
Transactions with equity holders in their capacity as equity holders:							
Employee share entitlements	-	789	-	-	789	-	789
Buy back of company shares	(1,271)	-	-	-	(1,271)	-	(1,271)
Dividends provided for or paid	-	-	-	(56,403)	(56,403)	-	(56,403)
	(1,271)	789	-	(56,403)	(56,885)	-	(56,885)
Total equity at 30 June 2012	1,686,878	(12,336)	(77,406)	(63,064)	1,534,072	298	1,534,370

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FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

Statement of Changes in Equity (continued)

Restated 2011	Consolidated						Total equity \$'000
	Contributed equity \$'000	Reserves \$'000	Other equity transaction \$'000	Accumulated losses \$'000	Total \$'000	Non-controlling interest \$'000	
Total equity at 1 July 2010	1,225,400	(339)	(77,406)	(115,563)	1,032,092	298	1,032,390
Restated profit for the year	-	-	-	64,060	64,060	-	64,060
Other comprehensive income	-	165	-	-	165	-	165
Total comprehensive income	-	165	-	64,060	64,225	-	64,225
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
Dividends provided for or paid	-	-	-	(50,006)	(50,006)	-	(50,006)
Transfer from / (to) reserve	-	174	-	(174)	-	-	-
	462,749	578	-	(50,180)	413,147	-	413,147
Restated total equity at 30 June 2011	1,688,149	404	(77,406)	(101,683)	1,509,464	298	1,509,762

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

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

Statement of Cash Flows

	Note	Consolidated	
		2012	Restated 2011
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers		767,671	543,670
Payments to suppliers / employees		(538,151)	(376,694)
Government grants received		311	1,517
Acquiree transaction costs		-	(2,270)
Interest received from external parties		2,724	2,393
Dividends received from associates		-	900
Tax paid		(23,216)	(4,914)
Net cash inflows from operating activities	24	209,339	164,602
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(21,243)	(21,000)
Payments for purchase of intangibles		(405)	(21)
Dividends received from investments		92	-
Proceeds from sale of property, plant and equipment		-	7,338
Payments for purchase of businesses		-	(721,039)
Transaction costs associated with purchase of businesses		-	(6,300)
Payments for purchase of investments		-	(195)
Net cash flows used in investing activities		(21,556)	(741,217)
Cash flows from financing activities			
Dividends paid to security holders		(56,403)	(48,451)
Borrowings from external parties		-	1,183,522
Repayment of borrowings from external parties		(6,000)	(963,122)
Payments for buy back of company shares		(1,271)	-
Proceeds from capital raising		-	471,609
Capital raising costs		-	(16,551)
Borrowing costs paid for purchase of business		-	(18,056)
Interest paid to external parties		(58,492)	(38,631)
Movement in finance lease liabilities		(86)	(177)
Net cash flows (used in) / from financing activities		(122,252)	570,143
Net increase / (decrease) in cash and cash equivalents		65,531	(6,472)
Cash assets at the beginning of the year		31,644	38,116
Cash assets at the end of the year	6	97,175	31,644

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

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

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 2012 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.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

1. Summary of Significant Accounting Policies (continued)

(b) Principles of consolidation (continued)

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.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

1. Summary of Significant Accounting Policies (continued)

(b) Principles of consolidation (continued)

(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.

1. Summary of Significant Accounting Policies (continued)

(e) Investments and other financial assets (continued)

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

Loans, receivables and trade receivables

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

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

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

Investments in 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.

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FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

1. Summary of Significant Accounting Policies (continued)

(f) Property, plant and equipment (continued)

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. Analogue licences are renewable for a minimal cost every five years under provisions within the Broadcasting Services Act. Digital licences attach to the analogue licences and renew automatically. 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.

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1. Summary of Significant Accounting Policies (continued)

(h) Intangible assets (continued)

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.

Brands

Brands are initially recognised at cost. The brands 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 brands 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 brands 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 a programming services agreement are recognised at cost and are amortised over the useful life of the asset (2 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).

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

1. Summary of Significant Accounting Policies (continued)

(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 18.

(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 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.

1. Summary of Significant Accounting Policies (continued)

(m) Employee benefits (continued)

(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 grant 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 in profit or loss with a corresponding adjustment to equity. Where the terms of the share-based payment entitlement are modified in the favour of the employee, the changes are reflected when determining the impact on profit or loss.

(n) Retirement benefit obligations

The Group operated 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 prior year)

The defined benefit scheme 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.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

1. Summary of Significant Accounting Policies (continued)

(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 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.

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.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

1. Summary of Significant Accounting Policies (continued)

(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, brands 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) 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.

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FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

1. Summary of Significant Accounting Policies (continued)

(w) Earnings per share

(i) **Basic earnings per share**

Basic earnings per share is calculated by dividing the profit or 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 2011, which include:

(i) **Amendments to AASB 7, 101 and 134 as a consequence of AASB 2010-4 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.

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FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

1. Summary of Significant Accounting Policies (continued)

(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 2012 reporting periods. The Group's assessment of the impact of relevant new standards and interpretations is set out below.

- AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)
- AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Key Management Personnel Disclosure Requirements (effective from 1 July 2013)
- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective from 1 January 2013)
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)
- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income (effective 1 July 2012)
- Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 and AASB 2011-11 Amendments to AASB 119 arising from Reduced Disclosure Requirements (effective 1 January 2013)
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) (effective 1 July 2014) and Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) (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 12 for details of these assumptions.

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1. Summary of Significant Accounting Policies (continued)
(bb) Critical Accounting Estimates and Judgements (continued)

(ii) Income taxes

The Group is subject to income taxes in Australia and in some of its foreign operations. Currently the Group has raised a current provision for income tax in respect of amended tax assessments raised by the ATO in respect of disallowed deductions on redeemable preference shares between 2006 and 2009. The Group has objected against the assessments. Should the Group be successful in its objection against the amended assessments, the tax liability will be reversed to the profit or loss. 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) Business combinations – revised fair values

As the acquisition of Austereo Group Limited (“Austereo”) took place close to the 30 June 2011 year end, the information required to value the acquisition was incomplete. The initial accounting for Austereo was therefore determined provisionally in the 30 June 2011 annual report. In accordance with IFRS 3 *Business Combinations*, adjustments to the initial provisional accounting for the Austereo acquisition disclosed in the 2011 annual report have been recognised as if the final accounting for the business combination had been completed at the acquisition date. Comparative information for 30 June 2011 has therefore been adjusted, with the effect being an increase in reported net profit after tax of \$10.8 million. Further information is given in note 26.

(v) Hedge Accounting

The Group designated interest rates swaps held as at 1 July 2011 as cash flow hedges and has applied hedge accounting from this date.

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

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

Cash flow hedge

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

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within “interest expense and other borrowing costs”.



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1. Summary of Significant Accounting Policies (continued)

(bb) Critical Accounting Estimates and Judgements (continued)

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(cc) Parent entity financial information

The financial information for the parent entity, Southern Cross Media Group Limited ("the Company"), disclosed in note 27 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, being the Company, 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.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

2. Profit for the Year

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

	Consolidated	
	2012 \$'000	Restated 2011 \$'000
Revenue from continuing operations		
Sales revenue	681,718	485,503
Dividend income	92	-
Government grant revenue	311	1,517
Rental revenue	5,192	4,124
Net profit on disposal of property, plant and equipment	-	1,667
Total revenue from continuing operations	687,313	492,811
Interest revenue		
External banks	2,724	2,393
Depreciation expense		
Land and buildings	1,655	1,055
Plant and equipment	26,419	19,639
Leasehold improvements	1,872	985
Plant and equipment under finance leases	133	142
Total depreciation expense	30,079	21,821
Amortisation expense		
Programming services agreement	444	111
Customer relationships	-	322
Total amortisation expense	444	433
Total depreciation and amortisation expense	30,523	22,254
Interest expense and other borrowing costs		
External banks	55,814	38,630
Interest accrued on amended tax assessments	10,889	-
Amortisation of borrowing costs	4,934	13,892
Finance charges on capitalised leases	62	88
Total interest expense and other borrowing costs	71,699	52,610
Net fair value losses on financial derivatives – interest rate swaps		
Total net fair value losses on financial derivatives – interest rate swaps	-	1,327
Rental expense relating to operating leases - included in occupancy costs	25,570	15,868
Defined contribution plan expense – included in employee expenses	12,731	8,474

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FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

3. Remuneration of Auditors

	Consolidated	
	2012 \$	2011 \$
(a) Audit services		
PricewaterhouseCoopers Australian firm:		
Statutory audit and review of financial reports	475,000	610,000
Ernst & Young Australian firm:		
Audit and review of financial reports	-	50,000
Total remuneration for audit services	475,000	660,000
(b) Non-audit services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services	5,500	-
Regulatory returns	50,000	50,000
Other assurance services	21,000	-
Other consulting services	84,600	30,000
Total remuneration for non-audit services	161,100	80,000
Total	636,100	740,000

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FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

4. Income Tax Expense

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

	Consolidated	
	2012	Restated
	\$'000	2011
		\$'000
Income tax expense / (benefit)		
Current tax	70,970	13,809
Deferred tax	(39,710)	9,363
	<u>31,260</u>	<u>23,172</u>
Deferred income tax expense / (benefit) included in income tax expense comprises:		
Increase in net deferred tax assets	1,812	10,675
Adjustment for prior years	(1,995)	(1,312)
Adjustment for reset tax cost base on tax consolidation	(39,527)	-
	<u>(39,710)</u>	<u>9,363</u>
Reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	126,282	87,232
Tax at the Australian tax rate of 30%	37,885	26,170
Tax on amended assessments	32,874	-
Adjustments for reset tax cost base on tax consolidation	(39,527)	-
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income		
Share of net losses / (profits) of associates	199	(419)
Other non-deductible expenses / (deductible expenses) / (non-assessable income)	1,824	(1,267)
Adjustments recognised in the current year in relation to current tax of prior years	(1,995)	(1,312)
Income tax expense	<u>31,260</u>	<u>23,172</u>

For the year ended 30 June 2012, the Company had \$5.8 million of income tax benefit recognised directly in equity in relation to cash flow hedges, with a corresponding deferred tax asset being recognised. For the year ended 30 June 2011, the Company had \$4.96 million of tax benefit 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.

Reset Tax Cost Base

On 29 March 2011, the Group acquired a controlling interest in the share capital of 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, including gaining 100% ownership of Radio Newcastle Pty Ltd ("Radio Newcastle"). As it was not known at 29 March 2011 that the Group would gain 100% ownership of Austereo and Radio Newcastle, deferred tax assets and liabilities at acquisition were calculated with reference to the existing tax cost bases of those assets and liabilities. When 100% ownership was achieved and the Austereo group and Radio Newcastle joined the Southern Cross Media Group Limited tax consolidated group, tax cost bases were reset, resulting in an income tax benefit of \$39.5 million being recognised in profit for the year ended 30 June 2012.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

4. Income Tax Expense (continued)

Tax Audit

The Company was 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 payments on certain redeemable preference shares (“RPS”) issued by the Company was considered. At the conclusion of the audit, the ATO raised amended assessments in relation to the income years ended 30 June 2006 to 30 June 2009 for an amount of primary tax of \$32.8 million and Shortfall Interest Charge (“SIC”) of \$10.9 million. The Company has lodged objections against each of the amended assessments and the SIC imposed and has recognised the primary tax assessment as a current tax liability, and the SIC as a current payable as at 30 June 2012.

5. Dividends Paid and Proposed

The dividends were paid and payable as follows:

	Consolidated	
	2012 \$'000	2011 \$'000
The dividends were paid / payable as follows:		
Interim dividend paid for the half year ended 31 December - fully franked at the tax rate of 30%	35,230	26,519
Final dividend paid for the year ended 30 June – fully franked at the tax rate of 30%	21,173	23,487
	56,403	50,006
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan were as follows:		
Paid in cash	56,403	48,451
Satisfied by issue of shares	-	1,555
	56,403	50,006
	Cents per share	Cents per share
Interim dividend paid for the half year 31 December	5.0	7.0
Final dividend paid for the year ended 30 June	3.0	6.2
	8.0	13.2

The Group has \$82.6 million of franking credits at 30 June 2012 (2011: \$84.1 million)

6. Current Assets – Cash and Cash Equivalents

	Consolidated	
	2012 \$'000	Restated 2011 \$'000
Cash at bank	97,175	31,644

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

7. Current Assets – Receivables

	Consolidated	
	2012	Restated
	\$'000	2011
		\$'000
Current		
Trade receivables	123,021	124,441
Provision for doubtful debts (a)	(1,556)	(1,963)
Prepayments	4,764	6,214
Other	6,394	10,104
	<u>132,623</u>	<u>138,796</u>

(a) Impaired trade receivables

The Group has recognised an expense in respect of bad and doubtful trade receivables during the year ended 30 June 2012 of \$415,000 (2011: \$871,000). This provision is based on known bad debts and past experience for receipt of trade receivables.

8. Non-Current Assets – Receivables

	Consolidated	
	2012	Restated
	\$'000	2011
		\$'000
Non-current		
Refundable deposits	520	505
Related parties	1,749	1,385
Other	3,527	1,860
	<u>5,796</u>	<u>3,750</u>

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

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

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

	Consolidated	
	2012	Restated 2011
	\$'000	\$'000
Shares in associates – equity method	10,581	11,198

(a) Carrying amounts

Information relating to associates is set out below:

Name of company	Country of origin	Principal activity	Ownership interest %		Consolidated	
			2012	2011	2012	Restated 2011
					\$'000	\$'000
Gold Coast Translator Pty Ltd	Australia	Rental of a transmission facility	25.0	25.0	94	94
Regional Tam Pty Ltd	Australia	Acquisition and distribution of TV ratings	36.0	36.0	9	9
Tasmanian Digital Television Pty Ltd	Australia	Operation of a TV station - Tasmania	50.0	50.0	8,039	8,250
Darwin Digital Television Pty Ltd	Australia	Operation of a TV station – Darwin	50.0	50.0	615	1,027
Sydney FM Facilities Pty Ltd	Australia	Rental of a transmission facility	50.0	50.0	615	615
Melbourne FM Facilities Pty Ltd	Australia	Rental of a transmission facility	50.0	50.0	-	-
Perth FM Facilities Pty Ltd	Australia	Rental of a transmission facility	66.7 ¹	66.7 ¹	289	300
Digital Radio Broadcasting Sydney Pty Ltd	Australia	Digital radio broadcasting	22.6	22.6	834	817
Digital Radio Broadcasting Melbourne Pty Ltd	Australia	Digital radio broadcasting	18.2 ²	18.2 ²	14	14
Digital Radio Broadcasting Brisbane Pty Ltd	Australia	Digital radio broadcasting	35.0	35.0	20	20
Digital Radio Broadcasting Adelaide Pty Ltd	Australia	Digital radio broadcasting	33.3	33.3	26	26
Digital Radio Broadcasting Perth Pty Ltd	Australia	Digital radio broadcasting	33.3	33.3	26	26
					10,581	11,198

¹ 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.

² 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.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

9. Non-Current Assets – Investments Accounted for Using the Equity Method (continued)

(b) Movements in carrying amounts

	Consolidated	
	2012 \$'000	Restated 2011 \$'000
Carrying amount at the beginning of the financial year	11,198	29,643
Share of (losses) / profits after income tax	(665)	1,396
Dividends received	-	(900)
Disposals of associates (refer to note 26)	-	(27,019)
Acquisitions of associates (refer to note 26)	-	7,883
Contributions to associates	48	195
Carrying amount at the end of the financial year	10,581	11,198

(c) Details of interest in associates

	Consolidated	
	2012 \$'000	Restated 2011 \$'000
Share of associates' assets and liabilities		
Current assets	3,045	4,899
Non-current assets	10,195	14,194
Total assets	13,240	19,093
Current liabilities	236	1,821
Non-current liabilities	2,423	6,074
Total liabilities	2,659	7,895
Net assets	10,581	11,198
Share of associates' revenue, expenses and results		
Revenue	3,220	9,299
Expenses	(3,885)	(6,891)
Profit before income tax	(665)	2,408
Income tax expense	-	(1,012)
Net (loss) / profit – accounted for using the equity method	(665)	1,396
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	-	-

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

10. Non-Current Assets – Other Financial Assets

	Consolidated	
	2012	Restated 2011
	\$'000	\$'000
Available for sale investments – at fair value	141	200

11. Non-Current Assets – Property, Plant and Equipment

	Consolidated	
	2012	Restated 2011
	\$'000	\$'000
Land and buildings– at cost	48,664	50,970
Less: Accumulated depreciation	(11,145)	(9,892)
Total land and buildings – net	37,519	41,078
Leasehold improvements – at cost	33,475	30,561
Less: Accumulated depreciation	(14,252)	(12,521)
Total leasehold improvements – net	19,223	18,040
Plant and equipment – at cost	369,694	366,548
Less: Accumulated depreciation	(260,887)	(252,011)
Total plant and equipment – net	108,807	114,537
Leased plant & equipment – at cost	772	728
Less: Accumulated depreciation	(371)	(238)
Total leased plant and equipment – net	401	490
Assets under construction – at cost	6,567	9,533
Total property, plant and equipment – at cost	459,172	458,340
Less: Total accumulated depreciation	(286,655)	(274,662)
Total property, plant and equipment – net	172,517	183,678

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

11. 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	
	2012 \$'000	Restated 2011 \$'000
Land and buildings		
Carrying amount at the beginning of the financial year	41,078	41,660
Acquisition of subsidiaries	-	1,545
Additions	163	1,770
Disposals	(2,203)	(5,394)
Depreciation expense	(1,655)	(1,055)
Transfers	136	2,552
Carrying amount at the end of the financial year	37,519	41,078
Leasehold improvements		
Carrying amount at the beginning of the financial year	18,040	5,055
Acquisition of subsidiaries	-	15,903
Additions	325	627
Disposals	(12)	(8)
Depreciation expense	(1,872)	(985)
Transfers	2,742	(2,552)
Carrying amount at the end of the financial year	19,223	18,040
Plant and equipment		
Carrying amount at the beginning of the financial year	114,537	98,137
Acquisition of subsidiaries	-	17,389
Additions	12,718	17,471
Disposals	(111)	(259)
Depreciation expense	(26,419)	(19,639)
Transfers	8,082	1,438
Carrying amount at the end of the financial year	108,807	114,537

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

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

	Consolidated	
	2012 \$'000	Restated 2011 \$'000
Leased plant and equipment		
Carrying amount at the beginning of the financial year	490	475
Additions	44	210
Disposals	-	(53)
Depreciation expense	(133)	(142)
Carrying amount at the end of the financial year	401	490
Assets under construction		
Carrying amount at the beginning of the financial year	9,533	2,606
Acquisition of subsidiaries	-	7,400
Transfers	(10,959)	(5,422)
Additions	7,993	4,949
Carrying amount at the end of the financial year	6,567	9,533
Total property, plant and equipment – net	172,517	183,678

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FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

12. Non-Current Assets – Intangible Assets

	Consolidated	
	2012 \$'000	Restated 2011 \$'000
Commercial radio/TV broadcast licences – at cost	1,595,282	1,595,282
Less impairment charges	-	-
Total licences – net	1,595,282	1,595,282
Tradenames – at cost	139	117
Less impairment charges	-	-
Total Tradenames – net	139	117
Customer relationships – at cost	-	2,900
Less accumulated amortisation	-	(2,900)
Total customer relationships – net	-	-
Brands – at cost	88,900	88,900
Less impairment charges	-	-
Total brands – net	88,900	88,900
Programming services agreement – at cost	1,000	1,000
Less accumulated amortisation	(555)	(111)
Total programming services agreement – net	445	889
Goodwill – at cost	352,124	351,741
Less impairment charges	-	-
Total goodwill – net	352,124	351,741
Total intangibles – at cost	2,037,445	2,039,940
Less total accumulated amortisation and impairment charges	(555)	(3,011)
Total intangibles – net	2,036,890	2,036,929

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

12. Non-Current Assets – Intangible Assets (continued)

	Consolidated	
	2012	Restated 2011
	\$'000	\$'000
Commercial radio/TV broadcast licences		
Carrying amount at the beginning of the financial year	1,595,282	768,483
Acquisition of subsidiaries (refer to note 26)	-	826,799
Carrying amount at the end of the financial period	1,595,282	1,595,282
Tradenames		
Carrying amount at the beginning of the financial year	117	95
Additions	22	22
Carrying amount at the end of the financial year	139	117
Customer relationships		
Carrying amount at the beginning of the financial year	-	322
Amortisation expense	-	(322)
Carrying amount at the end of the financial year	-	-
Brands		
Carrying amount at the beginning of the financial year	88,900	
Acquisition of subsidiaries (refer to note 26)		88,900
Carrying amount at the end of the financial period	88,900	88,900
Programming services agreement		
Carrying amount at the beginning of the financial year		
Acquisition of subsidiaries (refer to note 26)	889	1,000
Amortisation expense	(444)	(111)
Carrying amount at the end of the financial period	445	889
Goodwill		
Carrying amount at the beginning of the financial year	351,741	295,868
Additions	383	55,873
Carrying amount at the end of the financial year	352,124	351,741
Total intangibles – net	2,036,890	2,036,929

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

12. Non-Current Assets – Intangible Assets (continued)

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

The value of licences, tradenames, brands 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 2012 and 30 June 2011 and the Metro free to air broadcasting CGU at 30 June 2012 was determined based on a value in use discounted cash flow ("DCF") model. The Metro free to air broadcasting CGU was consolidated from 29 March 2011, when the takeover offer for Austereo became unconditional, and 100% ownership of Austereo was gained on 17 May 2011. Impairment testing was assessed at 30 June 2011 having regard to the financial model developed to support the acquisition. The financial results of Austereo at 30 June 2011 were in line with the financial model.

Allocation of goodwill and other intangible assets

	Regional Free to Air Broadcasting CGU	Metro Free to Air Broadcasting CGU	Total
2012	\$'000	\$'000	\$'000
Goodwill allocated to CGU	316,391	35,733	352,124
Indefinite lived intangible assets allocated to CGU	823,021	861,300	1,684,321
Total goodwill and indefinite lived intangible assets	1,139,412	897,033	2,036,445
	%	%	
Value in use assumptions (see part (b))			
Revenue growth – Forecast Period	2.5 to 5.3	1 to 3.8	
Cost (reduction) / growth – Forecast Period	3.1 to 7.4	(7.8) to 3.2	
Long-term growth rate – terminal value	3.0	3.0	
Discount rate (pre-tax)	10.8	11.0	

	Regional Free to Air Broadcasting CGU	Metro Free to Air Broadcasting CGU	Total
Restated 2011	\$'000	\$'000	\$'000
Goodwill allocated to CGU	316,008	35,733	351,741
Indefinite lived intangible assets allocated to CGU	822,999	861,300	1,684,299
Total goodwill and indefinite lived intangible assets	1,139,007	897,033	2,036,040
	%	%	
Value in use assumptions (see part (b))			
Revenue growth – Forecast Period	3.1 to 3.9	n/a	
Cost growth – Forecast Period	2.8 to 6.6	n/a	
Long-term growth rate – terminal value	2.5	n/a	
Discount rate (pre-tax)	12.3	n/a	

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

12. Non-Current Assets – Intangible Assets (continued)

(b) Key assumptions used for value in use calculations

The value in use calculations use cash flow projections based on the 2013 financial budgets extended over the subsequent four year period ("Forecast Period") using estimated growth rates approved by the Board. Terminal growth rates do not exceed the long-term industry growth rates. Cash flows beyond the five year period are extrapolated using growth rates that do not exceed the long-term average growth rate for the business in which the CGU operates (refer table on the previous page). The discount rate used reflects specific risks relating to the relevant segments and the economies in which they operate (refer to the table on the previous page).

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

Regional free to air broadcasting

At 30 June 2012, an increase in the discount rate of 1.5% to 12.3% 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 3.4% to 2.9% or operating expense growth assumption was to increase from 4.4% 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 2012, the amount by which the recoverable amount exceeded the carrying value of the assets allocated to the regional free to air broadcasting CGU was \$230.9 million.

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.

Metro free to air broadcasting

At 30 June 2012, an increase in the discount rate of 2% to 13% to reflect a higher cost of debt finance than currently forecast or other changes in the cost of equity, would result in the metro free to air broadcasting CGU carrying amount exceeding its recoverable amount. In addition, if the revenue growth assumption was to decrease from 2.7% to 1.7% or operating expense growth assumption was to increase from 0.6% to 1.9% over the Forecast Period, it would result in the metro free to air broadcasting CGU carrying amount exceeding its recoverable amount. At 30 June 2012, the amount by which the recoverable amount exceeded the carrying value of the assets allocated to the metro free to air broadcasting CGU was \$216.7 million.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

13. Deferred Taxes

	Consolidated	
	2012 \$'000	Restated 2011 \$'000
The balance comprises temporary differences attributable to:		
Doubtful debts	707	588
Property, plant and equipment	1,300	992
Licences	(14,060)	(27,259)
Brand	(874)	(26,670)
Acquisition costs	8,981	14,645
Creditors and accruals	3,567	3,655
Unearned revenue	1,274	1,276
Employee benefits	6,627	6,857
Provisions	3,586	3,341
Interest rate swaps	7,275	1,869
Other	760	122
Net balance	19,143	(20,584)
Disclosed as:		
Deferred tax assets	19,143	-
Deferred tax liabilities	-	(20,584)
	19,143	(20,584)
Movements:		
Balance at the beginning of the financial year	(20,584)	30,566
Acquisition of subsidiaries	-	(46,752)
Adjustment relating to prior years	1,995	1,312
Credited / (charged) to income statement	37,715	(10,675)
Other adjustment	17	-
Credited to equity	-	4,965
Balance at the end of the financial year	19,143	(20,584)
Deferred taxes to be recovered after more than 12 months	2,622	(36,423)
Deferred taxes to be recovered within 12 months	16,521	15,839
	19,143	(20,854)

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

13. Deferred Taxes (continued)

Reset tax cost base

On 29 March 2011, the Group acquired a controlling interest in the share capital of 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, including gaining 100% ownership of Radio Newcastle Pty Ltd ("Radio Newcastle"). As it was not known at 29 March 2011 that the Group would gain 100% ownership of Austereo and Radio Newcastle, deferred tax assets and liabilities at acquisition were calculated with reference to the existing tax cost bases of those assets and liabilities. When 100% ownership was achieved and the Austereo group and Radio Newcastle joined the Southern Cross Media Group Limited tax consolidated group, tax cost bases were reset, resulting in an income tax benefit of \$39.5 million being recognised in profit for the year ended 30 June 2012.

14. 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 2012	Effective ownership interest 2011
Southern Cross Media Trust (SCMT)	Australia	Ordinary	100%	100%
SCM No 5 Limited (SCM5)	Australia	Ordinary	100%	100%
SCM No 1 Limited (SCM1)	Australia	Ordinary	100%	100%
Southern Cross Media International Limited (SCMIL) and controlled entities	Bermuda	Ordinary	100%	100%
Southern Cross Media Australia Holdings Pty Limited (SCMAHL)	Australia	Ordinary	100%	100%
Southern Cross Austereo Community Foundation Limited (SCACF)	Australia	Ordinary	100%	-
Southern Cross Austereo Pty Limited (SCAPL) 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 SCAPL.

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

15. Current Liabilities – Payables

	Consolidated	
	2012 \$'000	Restated 2011 \$'000
Trade creditors	19,521	10,506
GST payable	5,267	4,404
Other payables including accrued expenses	82,460	91,727
Deferred income	10,996	4,497
	118,244	111,134

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

16. Current Liabilities – Provisions

	Consolidated	
	2012	Restated 2011
	\$'000	\$'000
Employee benefits	19,393	19,844
Lease straight line	2,022	113
Lease incentives (refer note 19)	242	242
	<u>21,657</u>	<u>20,199</u>

17. Borrowings

(a) Total interest bearing liabilities

Current borrowings

		Consolidated	
		2012	Restated 2011
		\$'000	\$'000
Secured			
Bank facilities	(b)	16,000	6,000
Lease liabilities	(b)	228	116
Total secured current interest bearing liabilities		<u>16,228</u>	<u>6,116</u>

Non-current borrowings

		Consolidated	
		2012	Restated 2011
		\$'000	\$'000
Secured			
Bank facilities	(b)	703,000	719,000
Borrowing costs		(12,414)	(16,928)
Lease liabilities	(b)	202	400
Total secured non-current interest bearing liabilities		<u>690,788</u>	<u>702,472</u>
Total current and non-current borrowings		<u>707,016</u>	<u>708,588</u>

(b) Bank facilities and assets pledged as security

As a result of the off market takeover of Austereo, Southern Cross Austereo Pty Ltd ("SCAPL") entered into a new \$765 million bank facility on 25 March 2011. This facility consisted of a \$725 million term facility, maturing on 26 March 2015 (with multiple repayments totalling \$50 million between June 2012 and maturity), 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 2012.

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FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

17. Borrowings (continued)

The bank term facilities of SCAPL are secured by a fixed and floating charge over the assets and undertakings of SCAPL and its wholly-owned subsidiaries and also by a mortgage over shares in SCAPL. These facilities mature on 26 March 2015 and have an average variable interest rate of 6.26% (2011: 7.81%). These facilities are denominated in Australian dollars.

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, Southern Cross Media Group Limited. The first covenant testing date was at 31 December 2011, with testing dates falling at 30 June and 31 December each year until the facility maturity date.

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

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

	SCAPL	
	2012 \$'000	Restated 2011 \$'000
Current assets		
<i>Floating charge</i>		
Cash and cash equivalents	90,023	24,738
Receivables	131,914	137,691
Total current assets pledged as security	221,937	162,429
Non-current assets		
<i>Floating charge</i>		
Receivables	5,796	8,958
Investments accounted for using the equity method	10,581	11,198
Other financial assets	141	200
Property, plant and equipment	172,517	183,678
Intangible assets	2,046,816	2,046,855
Total non-current assets pledged as security	2,235,851	2,250,889
Total assets pledged as security	2,457,788	2,413,318

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

17. Borrowings (continued)

(c) Financing arrangements

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

	Consolidated	
	2012	Restated 2011
	\$'000	\$'000
Bank facilities	719,000	725,000
Used at balance date	(719,000)	(725,000)
Unused at balance date	-	-
Working capital facility	30,000	30,000
Used at balance date	-	-
Unused at balance date	30,000	30,000
Working capital facility (bank guarantees/leases/credit cards/merchant facilities)	10,000	10,000
Used at balance date	(3,560)	(5,260)
Unused at balance date	6,440	4,740
Total facilities	759,000	765,000
Total used at balance date	(722,560)	(730,260)
Total unused at balance date	36,440	34,740

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 2012 and 30 June 2011.

18. Derivative Financial Instruments

	Consolidated	
	2012	Restated 2011
	\$'000	\$'000
Current liabilities		
Interest rate swap contracts (a)	-	441
Total current liabilities - derivative financial instruments	-	441
Non-current liabilities		
Interest rate swap contracts (a)	24,249	6,722
Total non-current liabilities - derivative financial instruments	24,249	6,722

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

18. Derivative Financial Instruments (continued)

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 25).

(a) Interest rate swap contracts

External borrowings of the Group currently bear an average variable interest rate of 6.26% (2011: 7.81%). 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 76% (2011: 97%) of the loan principal outstanding, however due to rolling commencement dates 49% (2011: 45%) of the loan principal currently outstanding is covered at year end. The current fixed interest rates range between 5.06% and 6.12% (2011: range between 4.95% and 6.17%) 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	
	2012 \$'000	Restated 2011 \$'000
Less than 1 year	-	150,000
1 – 2 years	200,000	-
2 – 3 years	350,000	200,000
3 – 4 years	-	350,000

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 cash flow hedges as they satisfy the requirements for hedge accounting. Any change in fair value of the interest rate swaps is taken to the hedge reserve in equity.

19. Non-Current Liabilities – Provisions

	Consolidated	
	2012 \$'000	Restated 2011 \$'000
Employee benefits	2,698	3,013
Lease incentives	1,550	1,768
Make good	4,654	4,888
Lease straight line	1,997	1,478
Onerous lease	1,489	2,649
	<u>12,388</u>	<u>13,796</u>

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

19. Non-Current Liabilities - Provisions (continued)

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

	Consolidated	
	2012	Restated 2011
	\$'000	\$'000
Balance at the beginning of the financial year	10,783	2,238
Acquisition of subsidiaries	-	8,606
Movements in the year	(1,093)	(61)
Balance at the end of the financial year	9,690	10,783

20. Contributed Equity

	Consolidated	
	2012	Restated 2011
	\$'000	\$'000
Ordinary shares	1,686,878	1,688,149
Contributed equity	1,686,878	1,688,149

	Consolidated	
	2012	Restated 2011
	\$'000	\$'000
On issue at the beginning of the financial year	1,688,149	1,225,400
Issuing shares in consideration for acquisition of businesses	-	1,171
Capital Raising	-	471,609
Buy back of company shares	(1,271)	-
Issuing shares for dividend reinvestment plan	-	1,555
Costs of issuing shares net of tax	-	(11,586)
On issue at the end of the financial year	1,686,878	1,688,149

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FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

20. Contributed Equity (continued)

	Consolidated	
	2012	2011
	Number of securities	
On issue at the beginning of the financial year	705,712	378,828
Issuing shares in consideration for acquisition of businesses	-	700
Issuing shares for employee share entitlements	54	-
Capital Raising	-	325,248
Buy back of company shares	(1,172)	-
Issuing shares for dividend reinvestment plan	-	936
On issue at the end of the financial year	704,594	705,712

(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) 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. 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

In 2011, 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) Employee share entitlements

In 2010, the Company introduced a Long Term Incentive Plan ("LTIP") for its senior executives. Information relating to the employee share entitlements, including details of shares issued under the scheme, is set out in note 28.

(e) Share buy back

On 24 November 2011 the Company announced it would conduct a share buy back between 9 December 2011 and 30 June 2012 to effectively manage capital for the benefit of shareholders. During the share buy back period, a total of 1,117,995 shares were bought back at an average price of \$1.0824, with prices ranging from \$1.0646 to \$1.0900. The total value of shares bought back was \$1,270,687.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

20. Contributed Equity (continued)

(f) 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.

21. Reserves and Other Equity Transactions

(a) Reserves

	Consolidated	
	2012 \$'000	Restated 2011 \$'000
Balance of reserves		
Share-based payments reserve (i)	1,193	404
Retirement benefit reserve (ii)	-	-
Hedge reserve (iii)	(13,529)	-
	<u>(12,336)</u>	<u>404</u>
(i) Share-based payments reserve		
Balance at the beginning of the financial year	404	-
Employee share entitlement	789	404
Balance at the end of the financial year	<u>1,193</u>	<u>404</u>
(ii) Retirement benefit reserve		
Balance at the beginning of the financial year	-	(339)
Actuarial gain	-	165
Transfer to accumulated losses	-	174
Balance at the end of the financial year	<u>-</u>	<u>-</u>
(iii) Hedge reserve		
Balance at the beginning of the financial year	-	-
Recognition of hedge reserve, net of tax	(8,871)	-
Fair value movement in interest rate swaps, net of tax	(4,658)	-
Balance at the end of the financial year	<u>(13,529)</u>	<u>-</u>

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

21. Reserves and Other Equity Transactions (continued)

Nature and purpose of reserves

(i) 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 respect of performance rights offered under the Long Term Incentive Plan. During the year 54,258 (2011: nil) rights have vested and 1,883,328 (2011: 1,178,832) shares have been granted. In the current year, \$789,000 (2011: \$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 28 for further information on the current Long Term Incentive Plan.

(iii) Hedge reserve

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in note 1(bb)(v). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

(b) Other equity transactions

	Consolidated	
	2012	Restated 2011
	\$'000	\$'000
Other equity transactions		
Reverse acquisition	(77,406)	(77,406)

On 23 November 2005, in connection with the initial public offering of the Group, the Company became the legal owner of all the issued shares of Southern Cross Media Australia Holding Pty Limited ("SCMAHL"). SCMAHL was 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 was accounted for as a reverse acquisition. SCMAHL was the deemed accounting acquirer of the Group and the Company. Under the terms of the arrangement with the vendor, the Company was required to pay \$77.4 million for the transfer of the shares.

22. Accumulated Losses

	Consolidated	
	2012	Restated 2011
	\$'000	\$'000
Balance at the beginning of the financial year	(101,683)	(115,563)
Profit attributable to security holders	95,022	64,060
Transfer from reserves	-	(174)
Dividends provided for or paid	(56,403)	(50,006)
Balance at the end of the financial year	(63,064)	(101,683)

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

23. Earnings per Share

	Consolidated	
	2012 Cents	Restated 2011 Cents
(a) Basic earnings per share		
From continuing operations attributable to shareholders	13.48	13.88
Total basic earnings per share attributable to shareholders	13.48	13.88
(b) Diluted earnings per share		
From continuing operations attributable to shareholders	13.45	13.86
Total diluted earnings per share attributable to shareholders	13.45	13.86
(c) Reconciliation of earnings used in calculating basic & diluted earnings per share		
	Consolidated	
	2012 \$'000	Restated 2011 \$'000
<i>Basic and Diluted earnings per share</i>		
Profit attributable to shareholders:		
From continuing operations	95,022	64,060
	95,022	64,060
(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	705,137,886	461,588,643
Adjustment for shares deemed to be issued at nil consideration in respect of employee share entitlements	1,186,101	576,462
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	706,323,987	462,165,105

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

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

	Consolidated	
	2012 \$'000	Restated 2011 \$'000
Profit after income tax	95,022	64,060
Impairment of investments and non-current assets	59	52
Depreciation and amortisation	30,523	22,254
Loss / (profit) on sale of fixed assets / licences	528	(1,667)
Share of associates (profits) / loss	665	(1,396)
Dividends received from associates	-	900
Dividends received from investments	(92)	-
Fair value losses on financial derivatives	-	1,327
Fair value gains on business combinations	-	(10,938)
Transaction costs	-	6,300
Interest expense and other borrowing costs included in financing activities	71,699	52,610
Share based payments	788	-
Change in assets and liabilities:		
Decrease in receivables	10,973	3,155
(Increase) / decrease in deferred taxes	(33,929)	9,384
(Decrease) / increase in payables	(8,920)	9,963
Increase in provision for income tax	41,973	7,961
Increase in provisions	50	637
Net cash inflows from operating activities	209,339	164,602

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FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

25. 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 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.

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. Refer to note 18 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 points movement (2011: 25 basis points) in the relevant interest rates at 30 June 2012 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.

Consolidated AUD exposures	Carrying Value		Impact on post-tax profits Increase/(decrease) 30 June 2012		Impact on reserves Increase/(decrease) 30 June 2012		Impact on post-tax profits Increase/(decrease) 30 June 2011	
	30 June 2012 \$'000	30 June 2011 \$'000	+/- 25 basis points		+/- 25 basis points		+/- 25 basis points	
Financial assets								
Cash at bank	97,175	31,644	243	(243)	-	-	79	(79)
Interest rate swaps	(24,249)	(7,119)	-	-	2,059	(2,069)	2,952	(2,967)
Borrowings	(719,000)	(725,000)	-	-	-	-	(1,813)	(1,813)

For details of the interest rate risk exposures, and the Group's interest rate swaps refer to note 18.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

25. Financial Risk Management (continued)

(b) Credit risk

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

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.

Consolidated	Current	Past due	Past due	Past due	Total
As at 30 June 2012	0 – 30 days	30 – 60 days	60 – 90 days	>90 days	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables	64,282	51,290	3,558	3,891	123,021
Provision for doubtful debts	(445)	(338)	(91)	(682)	(1,556)

Consolidated	Current	Past due	Past due	Past due	Total
As at 30 June 2011	0 – 30 days	30 – 60 days	60 – 90 days	>90 days	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables	67,159	51,663	2,931	2,688	124,441
Provision for doubtful debts	-	(840)	(259)	(864)	(1,963)

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.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

25. Financial Risk Management (continued)

(c) Liquidity risk (continued)

Consolidated As at 30 June 2012	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	175	220	28	7	-
Borrowings – Principal	16,000	19,000	684,000	-	-
Interest cashflows*	48,743	46,133	55,643	-	-
Derivative financial instruments	6,854	6,514	4,608	-	-
Payables	118,244	-	-	-	-

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

Consolidated 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	6,000	16,000	19,000	684,000	-
Interest cashflows*	65,524	58,044	59,093	49,338	-
Derivative financial instruments	2,180	1,121	867	(455)	-
Payables	111,134	-	-	-	-

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

(d) Fair value estimation

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

As of 1 July 2009, 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:

- (i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) 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
- (iii) Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

25. Financial Risk Management (continued)

The following tables present the Group's assets and liabilities measured and recognised at fair value at 30 June 2012 and 30 June 2011.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Consolidated – at 30 June 2012				
Liabilities				
Derivatives used for hedging	-	24,249	-	24,249
Total Liabilities	-	24,249	-	24,249

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

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.

26. Business Combinations

On 29 March 2011, the Group acquired a controlling interest in the share capital of 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, including gaining 100% ownership of Radio Newcastle. The purchase price of the acquisition was \$723.7 million.

As the acquisition of Austereo took place close to the 30 June 2011 year end, the information required to value the acquisition was incomplete. The initial accounting for Austereo was therefore determined provisionally in the 30 June 2011 annual report. In accordance with IFRS 3 Business Combinations, adjustments to the initial provisional accounting for the Austereo acquisition disclosed in the 2011 annual report have been recognised as if the final accounting for the business combination had been completed at the acquisition date. Comparative information for 30 June 2011 has therefore been adjusted, with the effect being an increase in reported net profit after tax of \$10.8 million related to the gain on disposal and acquisition of Radio Newcastle.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

26. Business Combinations (continued)

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

Austereo	Final fair value recognised on acquisition \$'000	Provisional fair value recognised on acquisition \$'000
Current assets		
Cash and cash equivalents	1,533	1,533
Trade and other receivables	52,016	51,984
Other current assets	1,647	1,647
Non-current assets		
Receivables	332	332
Investments accounted for using the equity method	33,726	7,883
Other financial assets	251	541
Property, plant and equipment	40,296	40,296
Intangible assets – radio licences	772,400	869,953
Intangible assets - brands	88,900	-
Intangible assets – programming services agreement	1,000	-
Deferred tax assets	-	5,843
Current liabilities		
Trade and other payables	(43,173)	(42,157)
Income tax payable	(5,290)	(5,290)
Provisions	(8,382)	(8,270)
Other	(929)	(929)
Non-current liabilities		
Interest bearing loans and borrowings	(204,600)	(204,600)
Deferred tax liabilities	(31,206)	(32,398)
Provisions	(8,284)	(1,507)
Other	(1,828)	(1,828)
Derivatives	(399)	(355)
Fair value of identifiable net assets	688,010	682,678
Goodwill arising on acquisition	35,733	41,065
	723,743	723,743

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

26. Business Combinations (continued)

Austereo	Final fair value recognised on acquisition \$'000	Provisional fair value recognised on acquisition \$'000
Cash payment	722,572	722,572
Fair value of shares issued	1,171	1,171
	723,743	723,743
Costs associated with the acquisition, recognised as an expense in other expenses	6,300	6,300
Contingent consideration	-	-
	730,043	730,043
Cash outflow on acquisition to date		
Consideration paid in cash	722,572	722,572
Less: cash and cash equivalent balances acquired	(1,533)	(1,533)
	721,039	721,039

Explanation of material fair value adjustments

- (a) Equity accounted investment in Radio Newcastle has been adjusted to reflect 50% of the fair market value of the business based on its current earnings and its implied enterprise value based on the earnings multiple applicable in the Austereo acquisition.
- (b) Identifiable intangible assets recognised are in respect of radio and broadcasting licences, brand and a customer contract. Radio and broadcasting licences and brand have indefinite lives, and therefore are subject to impairment testing annually. The customer contract has a useful life of 2.8 years and is being amortised over the life of the contract.
- (c) Deferred tax assets and deferred tax liabilities were adjusted to correctly reflect the differences between accounting and tax values as at the date of acquisition. In accordance with AASB 112 Income Taxes, the Group has elected to offset deferred tax assets against deferred tax liabilities.
- (d) Various non-current provisions for leases as required under IAS 37 Provisions, Contingent Liabilities and Contingent Assets were adjusted to reflect fair value at the date of acquisition.
- (e) The consequence of the finalisation of the fair values, including tax, is a reduction in goodwill of \$5.3 million. Goodwill arose in the acquisition of Austereo because the consideration paid for the combination effectively included amounts in relation to the benefit of expected revenue and cost synergies and workforce valuation. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Included in Austereo's final fair value for "investments accounted for using the equity method" is a 50% interest in Radio Newcastle of \$31.9 million as noted at 26(a) above. As the Group already held the remaining 50% interest in Radio Newcastle, the acquisition of Austereo resulted in the combined group owning 100% of Radio Newcastle. As a result, effective 29 March 2011 Radio Newcastle has been consolidated as a subsidiary.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

26. Business Combinations (continued)

To account for this, the existing equity interest is treated as if it were disposed of and reacquired at fair value on the acquisition date, with any gain or loss resulting from the difference between fair value and carrying value being recognised in the profit or loss. The impact of Southern Cross Austereo recognising the uplift in the value of the 50% investment in Radio Newcastle at 29 March 2011 is as follows:

Southern Cross Austereo	Final fair value recognised on acquisition \$'000	Provisional fair value recognised on acquisition \$'000
Fair value of previously held 50% ownership interest	31,900	20,962
Equity accounted value of 50% ownership interest	(20,962)	(20,962)
Net fair value gain recognised in profit and loss	10,938	-

As the acquirer must recognise adjustments to the provisional amounts as if the accounting for the acquisition had been completed at the acquisition date and therefore revise comparative information for prior periods, this gain has been recognised in the restated net profit after tax for the financial year ended 30 June 2011.

Radio Newcastle has been treated as a separate business combination effective 29 March 2011. In accordance with IFRS 3 Business Combinations, adjustments to the initial provisional accounting for the Radio Newcastle acquisition disclosed in the 2011 annual report have been recognised as if the final accounting for the business combination had been completed at the acquisition date. Comparative information for 30 June 2011 has therefore been adjusted.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

26. Business Combinations (continued)

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

Radio Newcastle	Final fair value recognised on acquisition \$'000	Provisional fair value recognised on acquisition \$'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	54,400	3,836
Deferred tax assets	-	360
Other	1,085	1,085
Current liabilities		
Trade and other payables	(2,440)	(2,440)
Income tax payable	(730)	(730)
Provisions	(704)	(704)
Non-current liabilities		
Interest bearing loans and borrowings	(17)	(17)
Deferred tax liabilities	(15,601)	(736)
Provisions	(45)	(45)
Fair value of identifiable net assets	43,659	8,320
Goodwill arising on acquisition	20,141	18,699
	63,800	27,019

Explanation of material fair value adjustments

- (a) Identifiable intangible assets recognised are in respect of radio and broadcasting licences. Radio and broadcasting licences have indefinite lives, and therefore are subject to impairment testing annually.
- (b) Deferred tax assets and deferred tax liabilities were adjusted to correctly reflect the differences between accounting and tax values as at the date of acquisition. In accordance with AASB 112, the Group has elected to offset deferred tax assets against deferred tax liabilities.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

27. Parent Entity Financial Information

(a) Summary financial information

The following aggregate amounts are disclosed in respect of the parent entity, SCMGL:

	SCMGL	
	2012	Restated 2011
	\$'000	\$'000
Statement of Financial Position		
Current assets	7,613	6,994
Non-current assets	1,817,868	1,746,126
Total assets	1,825,481	1,753,120
Current liabilities	70,471	3,236
Non-current liabilities	62,873	50,758
Total liabilities	133,344	53,994
Net assets	1,692,137	1,699,126
Issued capital	1,589,290	1,590,560
Reserves	1,192	404
Retained profits	101,655	108,162
Total equity	1,692,137	1,699,126
Profit for the year	49,972	39,439
Total comprehensive income	49,972	39,439

(b) Guarantees entered into by the parent entity

	Restated	
	2012	2011
	\$'000	\$'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 2012 (30 June 2011 – nil). The parent entity has not given any unsecured guarantees at 30 June 2012 (30 June 2011 - nil).

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2012 (30 June 2011: \$nil).

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

As at 30 June 2012, the parent entity had no contractual commitments (30 June 2011: \$nil).

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FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

28. 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 grant of rights are exercisable subject to a three or four year performance period, and the satisfaction of set performance criteria during the period. The performance criteria take 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.

For the three year performance period, performance rights vest progressively over the three year performance period with 1/3rd vesting at year 1, 1/3rd at year 2 and 1/3rd at year 3, subject to performance criteria being met. For the four year performance period, 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 for the four year performance period, subject to performance criteria being met.

The Board has the discretion to either purchase shares on market or to issue new shares in respect of vesting performance rights. To date, the Board has elected to issue new shares for vesting performance rights.

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

Number of rights	2012	2011
Balance at beginning of the year	1,100,474	-
Granted during the year	1,883,328	1,178,833
Exercised during the year	(54,258)	-
Forfeited during the year	(179,901)	(78,359)
Balance at end of year	2,749,643	1,100,474
Exercisable at end of the year	-	-

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

28. Share-Based Payments (continued)

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

	2011 -Tranche 1	2011 -Tranche 2	2011 -Tranche 3	2011 -Tranche 4
Grant date share price	\$1.05	\$1.05	\$1.05	\$1.05
Exercise price	Nil	Nil	Nil	Nil
Dividend yield	11.82%	11.82%	11.82%	11.82%
Risk free interest rate	4.54%	4.42%	4.47%	4.67%
Share price & TSR volatility	54.36%	54.36%	54.36%	54.36%
Peer group TSR volatility	17.24%	17.24%	17.24%	17.24%
Peer group TSR spread	30.88%	30.88%	30.88%	30.88%
Correlation	44.21%	44.21%	44.21%	44.21%

	2010 -Tranche 1	2010 -Tranche 2	2010 -Tranche 3	2010 -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 & 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%

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FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

28. Share-Based Payments (continued)

The following outlines share rights granted to key management personnel.

2012	Balance at start of year No.	Granted as compensation No.	Forfeited No.	Vested No.	Balance at end of year No.
Directors					
Max Moore-Wilton	-	-	-	-	-
Leon Pasternak	-	-	-	-	-
Chris de Boer	-	-	-	-	-
Tony Bell	-	-	-	-	-
Michael Carapiet	-	-	-	-	-
Peter Harvie	-	-	-	-	-
Marina Darling	-	-	-	-	-
Executives					
Rhys Holleran	391,796	533,817	-	-	925,613
Stephen Kelly	227,328	337,715	(23,253)	54,258	596,048
Jeremy Simpson	89,553	183,023	-	-	272,576
Guy Dobson	-	-	-	-	-
Craig Bruce	-	211,072	-	-	211,072
Cathy Thomas	-	-	-	-	-
	<u>708,677</u>	<u>1,265,627</u>	<u>(23,253)</u>	<u>54,258</u>	<u>2,005,309</u>

At 1 July 2012, 2010 - Tranche 2 of performance rights vested to 76.2% and 2011 - Tranche 1 of performance rights did not vest.

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FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

28. Share-Based Payments (continued)

2011	Balance at start of year No.	Granted as compensation No.	Forfeited No.	Vested 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

At 1 July 2011, 2010 - Tranche 1 of performance rights vested to 70%.

29. 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.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

29. Related Party Disclosures (continued)

Key Management Personnel

The following persons were Key Management Personnel of the Company or the Group 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)
Marina Darling	(appointed 11 September 2011)

Executives

Rhys Holleran	CEO
Stephen Kelly	CFO
Jeremy Simpson	National Sales Director (ceased 23 February 2012)
Guy Dobson	Director of Metropolitan Radio
Craig Bruce	Head of Content
Cathy Thomas	National Sales Director (appointed 23 February 2012)

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 Group 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	
	2012 \$'000	2011 \$'000
Short-term employee benefits	5,238,856	4,522,407
Post-employment benefits	174,831	180,731
Other long-term benefits	157,613	257,425
Termination payments	776,538	629,293
Share-based payments	555,036	299,137
	<u>6,902,874</u>	<u>5,888,993</u>

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

29. Related Party Disclosures (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, are set out below.

2012	Balance at start of year	Changes during year	Balance at end of year
Directors			
Max Moore-Wilton	1,857,143	-	1,857,143
Leon Pasternak	964,216	100,000	1,064,216
Chris de Boer	148,571	-	148,571
Tony Bell	150,276	9,842	160,118
Michael Carapiet	1,147,900	200,000	1,347,900
Peter Harvie	-	-	-
Marina Darling	-	-	-
Executives			
Rhys Holleran	255,899	-	255,899
Stephen Kelly	-	84,448	84,448
Jeremy Simpson	-	-	-
Guy Dobson	-	-	-
Craig Bruce	-	-	-
Cathy Thomas	-	-	-
	4,524,005	394,290	4,918,295

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

29. Related Party Disclosures (continued)

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	136,792	119,107	255,899
Stephen Kelly	-	-	-
Kym Gallagher	39,748	22,401	62,149
Greg Dodgson	-	-	-
Jeremy Simpson	-	-	-
Guy Dobson	-	-	-
Kathy Gramp	-	-	-
Peter Harvie	-	-	-
	2,533,833	2,052,321	4,586,154

Performance rights issued to key management personnel have been disclosed in note 28.

(c) Loans to Key Management Personnel

There were no loans made to Key Management Personnel (2011: nil).

(d) Other transactions with Key Management Personnel

During the year there were no other transactions with Key Management Personnel.

Subsidiaries and Associates

Ownership interests in subsidiaries are set out in note 14. Details of interests in associates and distributions received from associates are disclosed in note 9. Details of loans due from associates are disclosed in note 8.

Other related party transactions

During the year, Macquarie received or was entitled to receive \$14,361,112 (2011: \$12,759,295) as dividends on securities held.

At 30 June 2012, the Group had funds totalling \$7,151,333 (2011: \$6,906,089) 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 \$248,913 (2011: \$397,943).

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

29. Related Party Disclosures (continued)

Comparative Disclosures

Acquisition of Austereo including Refinance and Capital Raising (comparative disclosure only)

In 2011, Macquarie acted as lead advisors 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 were joint underwriters for the capital raising and received \$6,830,819 in association with their 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 prior year, Macquarie received \$42,984,106 in swap and loan payments in their role as outgoing financiers.

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

30. 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 and the metropolitan free to air radio broadcasting segment.

As the segments 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.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

31. Commitments

	Consolidated	
	2012 \$'000	2011 \$'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	1,440	24,508
Later than one year but not later than 5 years	-	3,702
	<u>1,440</u>	<u>28,210</u>
Operating leases		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	21,092	23,381
Later than one year but not later than 5 years	59,498	68,766
Later than 5 years	35,729	40,564
	<u>116,319</u>	<u>132,711</u>
Finance lease payment commitments		
Finance lease commitments are payable as follows:		
Within one year	216	154
Later than one year but not later than 5 years	234	434
Greater than five years	21	-
	<u>471</u>	<u>588</u>
Less: Future lease finance charges	(41)	(72)
	<u>430</u>	<u>516</u>
Lease liabilities provided for in the financial statements:		
Current	228	116
Non-current	202	400
Total lease liability	<u>430</u>	<u>516</u>

32. 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 these operations in future financial years or the state of affairs of those entities in periods subsequent to the year ended 30 June 2012.

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FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2012

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 23 to 86 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
28 August 2012



Chris de Boer
Director
Sydney, Australia
28 August 2012

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

Report on the financial report

We have audited the accompanying financial report of Southern Cross Media Group Limited (the company), which comprises the statement of financial position as at 30 June 2012, 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.

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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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 2012 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 13 to 20 of the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Chris Dodd'.

Chris Dodd
Partner

Melbourne
28 August 2012