

# SOUTHERN CROSS AUSTEREO

ABN 91 116 024 536

APPENDIX 4D [RULE 4.2A.3]

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

## Results for Announcement to the Market (All comparisons to 31 December 2012)

Key Financial Information	\$'000	up/down	% movement
Revenue from ordinary activities	331,871	up	1.3%
Profit / (loss) from ordinary activities after tax attributable to members	45,896	up	1.7%
Net profit / (loss) after tax attributable to members	45,896	up	1.7%

Dividend Information	Amount per share cents	Franked amount per share cents	Tax rate for franking credit
Final 2013 dividend per share (paid 21 October 2013)	4.5	4.5	30%
Interim 2014 dividend per share (to be paid 24 April 2014)	4.5	4.5	30%

### Interim 2014 dividend dates

Ex-dividend date	1 April 2014
Record date	7 April 2014
Payment date	24 April 2014

	31 Dec 13	31 Dec 12
Net tangible assets per security	\$(0.63)	\$(0.69)

### Dividend Reinvestment Plan

The Southern Cross Austereo Dividend Reinvestment Plan ("DRP") will operate in respect of the Interim dividend. The Details of the plan are available on our website [www.southerncrossaustereo.com.au](http://www.southerncrossaustereo.com.au) under the "Investor Centre – Distribution and DRP" tab. Shares are issued at no discount. The securities to be issued pursuant to the DRP are to rank equally. The pricing period for DRP purposes will be eight trading days, starting on 9 April 2014 and concluding on 22 April 2014 (both inclusive). The pricing methodology is the average VWAP over the pricing period. The last date for the receipt of an election notice for participation in the DRP is 7 April 2014.

Additional Appendix 4D disclosure requirements can be found in the directors' report, financial statements and notes to the financial statements contained in the Southern Cross Austereo Interim Financial Report for the Half Year Ended 31 December 2013. This report is based on the consolidated Interim Financial Report for the Half Year Ended 31 December 2013 which has been reviewed by PricewaterhouseCoopers with the Independent Auditor's Review Report included in the Interim Financial Report.

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



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# **SOUTHERN CROSS AUSTEREO**

## **INTERIM FINANCIAL REPORT**

### **FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

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.



**SOUTHERN CROSS AUSTEREO**

## CONTENTS

Directors' Report .....	1
Directors.....	1
Principal Activities .....	1
Review and Results of Operations .....	1
Distributions and Dividends .....	2
Significant Changes in State of Affairs .....	2
Events Occurring After Balance Sheet Date .....	2
Directors' Holdings of Shares .....	2
Auditor's Independence Declaration .....	2
Rounding of Amounts in the Directors' Report and the Interim Financial Report.....	2
Auditor's Independence Declaration.....	3
Statement of Comprehensive Income .....	4
Statement of Financial Position.....	5
Statement of Changes in Equity.....	6
Statement of Changes in Equity (continued).....	7
Statement of Cash Flows .....	8
Notes to the Financial Statements .....	9
1. Summary of Significant Accounting Policies .....	9
2. Profit for the Half Year .....	13
3. Income Tax Expense .....	14
4. Dividends Paid and Proposed .....	14
5. Non-Current Assets – Intangible Assets .....	15
6. Non-Current Assets – Investments Accounted for Using the Equity Method .....	17
7. Fair value measurement of financial instruments .....	18
8. Contributed Equity.....	19
9. Segment Information.....	19
10. Events Occurring after Balance Sheet Date .....	20
Directors' Declaration .....	21
Independent auditor's review report to the members of Southern Cross Media Group Limited.....	22

# SOUTHERN CROSS AUSTereo INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2013

## Directors' Report

The directors of Southern Cross Media Group Limited ("the Company") submit the following report for Southern Cross Austereo, being Southern Cross Media Group Limited and its subsidiaries ("the Group"), for the half year ended 31 December 2013. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

### Directors

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

- Max Moore-Wilton (Chairman)
- Leon Pasternak
- Chris de Boer
- Tony Bell
- Michael Carapiet
- Peter Harvie
- Marina Darling (resigned 16 January 2014)

### Principal Activities

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

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

### Review and Results of Operations

The Group reported revenue of \$331.9 million for the 6 month period ended 31 December 2013, an increase of 1.3% from \$327.7 million for the same period in the prior year. EBITDA for the 6 months was \$105.0 million increasing 0.8% from \$104.2 million in the same period in the prior year. Net profit after tax has increased by 1.7% to \$45.9 million for the 6 months ended 31 December 2013, from \$45.1 million in the same period in the prior year.

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 services 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.

# SOUTHERN CROSS AUSTereo INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2013

## Distributions and Dividends

The final dividend for the year ended 30 June 2013 was 4.5 cents per fully paid share, fully franked and was paid on 21 October 2013 by the Company. Since the end of the financial half year ended 31 December 2013 the directors have recommended the payment of an interim ordinary dividend of 4.5 cents per fully paid share, fully franked (31 December 2012 interim dividend: 4.5 cents per fully paid share, fully franked). The interim dividend will be paid on 24 April 2014 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 half year under review.

## Events Occurring After Balance Sheet Date

On 10 December 2013 the Company advised it had successfully negotiated new terms for refinancing of the existing \$700 million syndicated debt facility. This was formally completed and became effective on 13 January 2014. The new facility consists of a 5 year revolving \$650 million facility, fully drawn, and a 2 year revolving \$50 million facility, currently undrawn, which will provide the business with significant liquidity and financial flexibility. After the balance date and prior to the new facility becoming effective an amount of \$43 million was repaid on the original debt. This amount was classified as a current liability at 31 December 2013 to reflect this.

No other matters or circumstances have arisen since the end of the half year that have significantly affected or may significantly affect the operations of the Group, the results of these operations in future financial years or the state of affairs of those entities in periods subsequent to the half year ended 31 December 2013.

## Directors' Holdings of Shares

The aggregate number of Company fully paid shares held directly, indirectly or beneficially by directors of the Company at the date of this report is 3,837,767 (30 June 2013: 3,833,454).

## Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

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

The Company is 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 interim financial report. Amounts in the directors' report and the interim financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise indicated.

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  
18 February 2014



Chris de Boer  
Director  
Southern Cross Media Group Limited  
Sydney, Australia  
18 February 2014

## Auditor's Independence Declaration

As lead auditor for the review of Southern Cross Media Group Limited for the half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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



Chris Dodd  
Partner  
PricewaterhouseCoopers

Melbourne  
18 February 2014



**SOUTHERN CROSS AUSTereo**  
**INTERIM FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

**Statement of Comprehensive Income**

	Note	1 Jul 13 -31 Dec 13 \$'000	1 Jul 12 - 31 Dec 12 \$'000
Revenue from continuing operations	2	331,871	327,683
Broadcast and production costs		(54,618)	(54,556)
Employee expenses		(86,735)	(88,521)
Selling costs		(35,620)	(33,728)
Occupancy costs		(15,379)	(15,099)
Promotions and marketing		(7,213)	(4,640)
Administration costs		(27,181)	(26,628)
Share of net losses of investments accounted for using the equity method		(131)	(310)
<b>Profit before depreciation, amortisation, interest, fair value movements on financial derivatives and income tax expense for the half year</b>		104,994	104,201
Depreciation and amortisation expense	2	(13,683)	(12,867)
Interest expense and other borrowing costs	2	(26,380)	(28,412)
Interest revenue	2	1,788	2,053
<b>Profit before income tax expense for the half year</b>		66,719	64,975
Income tax expense	3	(20,823)	(19,850)
<b>Profit after income tax for the half year</b>		45,896	45,125
<b>Other comprehensive income</b>			
Other comprehensive income for the half year, net of tax, that will be reclassified to profit and loss:			
Changes to fair value of cash flow hedges, net of tax		2,564	115
<b>Total comprehensive profit for the half year attributable to shareholders</b>		48,460	45,240
Earnings per share attributable to the ordinary equity holders of the Company:			
<b>Basic earnings per share</b>		6.5	6.4
<b>Diluted earnings per share</b>		6.5	6.4

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

**SOUTHERN CROSS AUSTereo**  
**INTERIM FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

**Statement of Financial Position**

	Note	31 Dec 13 \$'000	30 June 13 \$'000
<b>Current assets</b>			
Cash and cash equivalents		92,977	102,906
Receivables		126,625	129,638
<b>Total current assets</b>		219,602	232,544
<b>Non-current assets</b>			
Receivables		5,660	6,221
Investments accounted for using the equity method		14,532	13,677
Property, plant and equipment		173,012	170,595
Intangible assets	5	2,030,930	2,030,882
Other financial assets		213	110
Deferred tax assets		7,372	9,003
<b>Total non-current assets</b>		2,231,719	2,230,488
<b>Total assets</b>		2,451,321	2,463,032
<b>Current liabilities</b>			
Payables		94,410	105,895
Provisions		18,923	19,817
Borrowings		43,132	19,194
Current tax liabilities		42,700	46,223
Derivative financial instruments	7	3,879	4,207
<b>Total current liabilities</b>		203,044	195,336
<b>Non-current liabilities</b>			
Provisions		9,917	10,522
Borrowings		644,318	676,175
Derivative financial instruments	7	10,503	14,863
<b>Total non-current liabilities</b>		664,738	701,560
<b>Total liabilities</b>		867,782	896,896
<b>Net assets</b>		1,583,539	1,566,136
<b>Equity</b>			
Contributed equity	8	1,686,878	1,686,878
Reserves		(5,705)	(8,941)
Other equity transaction		(77,406)	(77,406)
Accumulated losses		(20,526)	(34,693)
<b>Equity attributable to equity holders</b>		1,583,241	1,565,838
Non-controlling interest		298	298
<b>Total equity</b>		1,583,539	1,566,136

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



**SOUTHERN CROSS AUSTereo**  
**INTERIM FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

**Statement of Changes in Equity**

	Contributed equity \$'000	Reserves \$'000	Other equity transactions \$'000	(Accumulated losses) /retained profits \$'000	Total \$'000	Non-controlling interest \$'000	Total equity \$'000
<b>Total equity at 1 July 2013</b>	1,686,878	(8,941)	(77,406)	(34,693)	1,565,838	298	1,566,136
Profit for the half year	-	-	-	45,896	45,896	-	45,896
Other comprehensive income	-	2,564	-	-	2,564	-	2,564
<b>Total comprehensive income</b>	-	2,564	-	45,896	48,460	-	48,460
<b>Transactions with equity holders in their capacity as equity holders:</b>							
Employee share entitlements	-	672	-	-	672	-	672
Dividends paid	-	-	-	(31,729)	(31,729)	-	(31,729)
	-	672	-	(31,729)	(31,057)	-	(31,057)
<b>Total equity at 31 December 2013</b>	1,686,878	(5,705)	(77,406)	(20,526)	1,583,241	298	1,583,539

**SOUTHERN CROSS AUSTERO  
INTERIM FINANCIAL REPORT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

**Statement of Changes in Equity (continued)**

	Contributed equity \$'000	Reserves \$'000	Other equity transactions \$'000	(Accumulated losses) /retained profits \$'000	Total \$'000	Non-controlling interest \$'000	Total equity \$'000
<b>Total equity at 1 July 2012</b>	1,686,878	(12,336)	(77,406)	(63,064)	1,534,072	298	1,534,370
Restatement of comparatives for business combinations	-	-	-	(779)	(779)	-	(779)
<b>Restated total equity at 1 July 2012</b>	1,686,878	(12,336)	(77,406)	(63,843)	1,533,293	298	1,533,591
Profit for the half year	-	-	-	45,125	45,125	-	45,125
Other comprehensive income	-	115	-	-	115	-	115
<b>Total comprehensive income</b>	-	115	-	45,125	45,240	-	45,240
<b>Transactions with equity holders in their capacity as equity holders:</b>							
Employee share entitlements	-	556	-	-	556	-	556
Dividends paid	-	-	-	(35,243)	(35,243)	-	(35,243)
	-	556	-	(35,243)	(34,687)	-	(34,687)
<b>Total equity at 31 December 2012</b>	1,686,878	(11,665)	(77,406)	(53,961)	1,543,846	298	1,544,144

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

**SOUTHERN CROSS AUSTERO  
INTERIM FINANCIAL REPORT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

**Statement of Cash Flows**

	Note	1 Jul 13 - 31 Dec 13 \$'000	1 Jul 12 - 31 Dec 12 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		367,832	364,172
Payments to suppliers/employees		(271,086)	(270,515)
Government grants received		92	225
Interest received from external parties		1,788	2,053
Tax paid		(23,813)	(29,270)
<b>Net cash flows from operating activities</b>		<b>74,813</b>	<b>66,665</b>
<b>Cash flows from investing activities</b>			
Payments for purchase of property, plant and equipment		(15,693)	(9,659)
Proceeds from sale of property, plant and equipment		123	1,707
Dividends received from investments		-	-
Payments for intangibles		(48)	(6)
Payments for purchase of investments		(132)	(1,010)
<b>Net cash flows used in investing activities</b>		<b>(15,750)</b>	<b>(8,968)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to security holders	4	(31,729)	(35,243)
Repayment of borrowings from external parties		(10,000)	(6,000)
Finance lease payments		(582)	(391)
Interest paid to external parties		(26,681)	(29,473)
<b>Net cash flows used in financing activities</b>		<b>(68,992)</b>	<b>(71,107)</b>
<b>Net decrease in cash and cash assets held</b>		<b>(9,929)</b>	<b>(13,410)</b>
<b>Cash assets at the beginning of the half-year</b>		<b>102,906</b>	<b>97,175</b>
<b>Cash assets at the end of the half-year</b>		<b>92,977</b>	<b>83,765</b>

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

**SOUTHERN CROSS AUSTereo**  
**INTERIM FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

## Notes to the Financial Statements

### 1. Summary of Significant Accounting Policies

This condensed consolidated interim financial report for the half year reporting period ended 31 December 2013 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of the Company for the year ended 30 June 2013 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out in note 1(g) below:

#### (a) Basis of Preparation

##### *Compliance with IFRS*

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

##### *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 period.

#### (b) Rounding of Amounts

The Company is 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 interim financial report. Amounts in the interim financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

#### (c) Critical Accounting Estimates and Judgement

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

**SOUTHERN CROSS AUSTereo**  
**INTERIM FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

## Notes to the Financial Statements (continued)

(c) Critical Accounting Estimates and Judgement (continued)

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 Group's accounting policy 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.

(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.

(d) Non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

(e) 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.

**SOUTHERN CROSS AUSTereo**  
**INTERIM FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

## Notes to the Financial Statements (continued)

(f) 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".

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.

(g) Impact of standards issued but not yet applied

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2013 reporting periods. The Group's assessment of the impact of relevant new standards and interpretations is set out below.

The Group has applied the following standards in their half-year reporting commencing 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 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 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group does not use fair value measurements extensively. See Note 7 for more information.
- AASB 2012-5 Amendments to Australian Accounting Standard arising from Annual Improvements - 2009-2011 Cycle (effective 1 January 2013).
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013). In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act 2001. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early.
- AASB 9 Financial Instruments, 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 for annual reporting periods beginning on or after 1 January 2013).
- AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption.

# SOUTHERN CROSS AUSTereo INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2013

## Notes to the Financial Statements (continued)

- AASB 2012-2 Amendments to Australian Accounting Standard - Disclosures - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013).

There is no material impact in the financial statements as a result of the adoption of the above standards except where specifically noted.

The following standards are applicable and the Group will adopt the standards upon the operative date. The Group is assessing the impact of these standards however they are not expected to have a significant impact:

- Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle (effective 1 July 2014).
- AASB 2012-3 Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014).
- AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014).
- AASB 2013-5 Amendments to Australian Accounting Standards - Investment Entities (effective 1 January 2014).
- AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting - [AASB 139] (effective 1 January 2014).
- Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39.

The following standards are not applicable to the Group and therefore they have no impact:

- Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013).
- AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective 1 July 2013).
- Defined Benefit Plans: Employee Contributions - Amendments to IAS 19 (effective 1 January 2014).
- AASB 2010-9 Amendments to Australian Accounting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] and AASB 2010-10 Further Amendments to Australian Accounting Standards - Removal of Fixed Dates for First-time (effective 1 January 2011/1 January 2013). Adopters [AASB 2009-11 & AASB 2010-7].
- AASB 2011-5 Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation and AASB 2011-6 Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements (effective 1 July 2013).
- AASB Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine and AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20 (effective 1 January 2013).
- AASB 2012-1 Amendments to Australian Accounting Standards - Fair Value Measurement – Reduced Disclosure Requirements [AASB 3, AASB 7, AASB 13, AASB 140 & AASB 141] (effective 1 July 2013).
- AASB Interpretation 21 Levies (effective 1 January 2014).

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.



**SOUTHERN CROSS AUSTereo**  
**INTERIM FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

**Notes to the Financial Statements (continued)**

**2. Profit for the Half Year**

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

	1 Jul 13 - 31 Dec 13 \$'000	1 Jul 12 - 31 Dec 12 \$'000
Revenue from continuing operations		
Sales revenue	328,460	324,628
Government grant revenue	92	225
Rental revenue	3,319	2,830
	<u>331,871</u>	<u>327,683</u>
Interest revenue		
External banks	<u>1,788</u>	<u>2,053</u>
Depreciation		
Land & buildings	491	496
Plant & equipment	12,128	11,096
Leasehold improvements	1,036	1,016
Plant & equipment under finance leases	28	37
Total depreciation	<u>13,683</u>	<u>12,645</u>
Amortisation		
Customer contracts	-	222
Total amortisation	<u>-</u>	<u>222</u>
Total depreciation and amortisation expense	<u>13,683</u>	<u>12,867</u>
Interest expense and other borrowing costs		
External banks	24,074	26,137
Amortisation of borrowing costs	2,257	2,257
Finance charges on capitalised leases	49	18
Total interest expense and other borrowing costs	<u>26,380</u>	<u>28,412</u>

**SOUTHERN CROSS AUSTereo**  
**INTERIM FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

**Notes to the Financial Statements (continued)**

**3. Income Tax Expense**

	1 Jul 13 - 31 Dec 13 \$'000	1 Jul 12 - 31 Dec 12 \$'000
Income tax expense		
Current Tax	(19,192)	(19,272)
Deferred Tax	(1,631)	(578)
	<u>(20,823)</u>	<u>(19,850)</u>
Deferred income tax expense included in income tax expense comprises:		
Decrease in net deferred tax assets	(4,488)	(3,216)
Adjustment for prior years	2,857	2,638
	<u>(1,631)</u>	<u>(578)</u>

**4. Dividends Paid and Proposed**

	1 Jul 13 - 31 Dec 13 \$'000	1 Jul 12 - 31 Dec 12 \$'000
The dividends were paid/payable as follows:		
Final dividend paid for the year ended 30 June – fully franked at the tax rate of 30%	31,729	35,243
	<u>31,729</u>	<u>35,243</u>
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the half years ended 31 December 2013 and 31 December 2012 were as follows:		
Paid in cash	31,729	35,243
	<u>31,729</u>	<u>35,243</u>
	Cents per share	Cents per share
Final dividend paid for the year ended 30 June	4.5	5.0

**SOUTHERN CROSS AUSTereo**  
**INTERIM FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

**Notes to the Financial Statements (continued)**

**5. Non-Current Assets – Intangible Assets**

	<b>31 Dec 13</b>	<b>30 Jun 13</b>
	<b>\$'000</b>	<b>\$'000</b>
Commercial radio/TV broadcast licences – at cost	1,589,574	1,589,574
Less impairment charges	-	-
Total licences – net	1,589,574	1,589,574
Tradenames – at cost	327	279
Less accumulated amortisation and impairment charges	-	-
Total Tradenames – net	327	279
Brands – at cost	88,900	88,900
Less accumulated amortisation and impairment charges	-	-
Total brands – net	88,900	88,900
Customer contracts – at cost	-	1,000
Less accumulated amortisation and impairment charges	-	(1,000)
Total customer contracts – net	-	-
Goodwill – at cost	352,129	352,129
Less impairment charges	-	-
Total goodwill – net	352,129	352,129
Total intangibles – at cost	2,030,930	2,031,882
Less total accumulated amortisation and impairment charges	-	(1,000)
Total intangibles – net	2,030,930	2,030,882

**SOUTHERN CROSS AUSTereo**  
**INTERIM FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

**Notes to the Financial Statements (continued)**

**5. Non-Current Assets – Intangible Assets (continued)**

	31 Dec 13 \$'000	30 Jun 13 \$'000
Commercial radio/TV broadcast licences		
Carrying amount at the beginning of the financial year	1,589,574	1,595,282
Disposal of subsidiaries	-	(5,708)
Carrying amount at the end of the financial period	1,589,574	1,589,574
Tradenames		
Carrying amount at the beginning of the financial year	279	139
Additions	48	140
Carrying amount at the end of the financial period	327	279
Brands		
Carrying amount at the beginning of the financial year	88,900	88,900
Carrying amount at the end of the financial period	88,900	88,900
Customer contracts		
Carrying amount at the beginning of the financial year	-	445
Amortisation expense	-	(445)
Carrying amount at the end of the financial period	-	-
Goodwill		
Carrying amount at the beginning of the financial year	352,129	352,124
Additions	-	5
Carrying amount at the end of the financial period	352,129	352,129
Total intangibles – net	2,030,930	2,030,882

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

The value of licences, tradenames and goodwill is allocated to the Group's cash generating unit ("CGU"), 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").

Goodwill and intangible assets are assessed for impairment at least annually or more frequently if events and circumstances dictate.

**SOUTHERN CROSS AUSTereo**  
**INTERIM FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

## Notes to the Financial Statements (continued)

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

Information relating to associates is set out below:

Name of company	Country of origin	Principal activity	Ownership interest %	
			31 Dec 13	30 Jun 13
Gold Coast Translator Pty Ltd	Australia	Rental of a transmission facility	25.0	25.0
Regional Tam Pty Ltd	Australia	Acquisition and distribution of TV ratings	36.0	36.0
Tasmanian Digital Television Pty Ltd	Australia	Operation of a TV station - Tasmania	50.0	50.0
Darwin Digital Television Pty Ltd	Australia	Operation of a TV station – Darwin	50.0	50.0
Central Digital Television Pty Limited	Australia	Operation of a TV station – Central	50.0	50.0
Eastern Australia Satellite Broadcasters Pty Ltd	Australia	Building of digital regional assets	50.0	50.0
Canberra FM Radio Pty Ltd	Australia	Dormant entity	50.0	50.0
Black Mountain Broadcasters Pty Ltd	Australia	Dormant entity	50.0	50.0
Sydney FM Facilities Pty Ltd	Australia	Rental of a transmission facility	50.0	50.0
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 <sup>1</sup>	66.7 <sup>1</sup>
Digital Radio Broadcasting Sydney Pty Ltd	Australia	Digital radio broadcasting	22.6	22.6
Digital Radio Broadcasting Melbourne Pty Ltd	Australia	Digital radio broadcasting	18.2 <sup>2</sup>	18.2 <sup>2</sup>
Digital Radio Broadcasting Brisbane Pty Ltd	Australia	Digital radio broadcasting	25.0	25.0
Digital Radio Broadcasting Adelaide Pty Ltd	Australia	Digital radio broadcasting	33.3	33.3
Digital Radio Broadcasting Perth Pty Ltd	Australia	Digital radio broadcasting	33.3	33.3
Digital Music Distribution Pty Ltd	Australia	Digital Music Distribution	33.3	33.3
Get Outside Group Pty Ltd	Australia	Media Entertainment Business	50.0	50.0

<sup>1</sup> 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.

<sup>2</sup> 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.

**SOUTHERN CROSS AUSTereo**  
**INTERIM FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

## Notes to the Financial Statements (continued)

### 7. Fair value measurement of financial instruments

#### (a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (ii) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2013 consist of derivatives used for hedging variable interest rates on the borrowings. The fair value measurement is based on level 2 inputs using quoted interest rates. The fair value at 31 December 2013 is \$14,382,000 (30 June 2013: \$19,070,000).

#### (b) Valuation techniques used to derive level 2 fair values

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. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

#### (c) Fair values of other financial instruments

Due to their short-term nature, the carrying amounts of the current receivables, current payables and current borrowings is assumed to approximate their fair value.

The group also has \$644,318,000 of non-current borrowings at 31 December 2013 (30 June 2013: \$676,175,000) for which the carrying amount approximates fair value in the balance sheet.

**SOUTHERN CROSS AUSTereo**  
**INTERIM FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

**Notes to the Financial Statements (continued)**

**8. Contributed Equity**

	<b>31 Dec 13</b>	<b>30 Jun 13</b>
	<b>\$'000</b>	<b>\$'000</b>
Ordinary Shares	1,686,878	1,686,878
Contributed equity	1,686,878	1,686,878

	<b>1 Jul 13</b>	<b>1 Jul 12</b>
	<b>- 31 Dec 13</b>	<b>- 31 Dec 12</b>
	<b>\$'000</b>	<b>\$'000</b>
On issue at the beginning of the half year	1,686,878	1,686,878
On issue at the end of the half year	1,686,878	1,686,878

	<b>Number of Securities</b>	<b>Number of Securities</b>
	<b>'000</b>	<b>'000</b>
On issue at the beginning of the half year	704,858	704,594
Issue of shares for Long Term Investment Plan	241	264
On issue at the end of the half year	705,099	704,858

**9. Segment Information**

**(a) Description of operating segments**

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

The chief operating decision maker is the Group CEO and the Company Board of Directors. The Board has determined that the Group has two operating segments being the Regional free to air broadcasting segment and the Metro free to air 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 consists of the commercial radio, television and online broadcasting business held throughout Australia. Revenue is generated from the development and sale of advertising solutions for clients on these mediums.

With free to air broadcasting as the only reporting segment in both the current and prior financial half 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.



**SOUTHERN CROSS AUSTereo**  
**INTERIM FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

10. Events Occurring after Balance Sheet Date

On 10 December 2013 the Company advised it had successfully negotiated new terms for refinancing of the existing \$700 million syndicated debt facility. This was formally completed and became effective on 13 January 2014. The new facility consists of a 5 year revolving \$650 million facility, fully drawn, and a 2 year revolving \$50 million facility, currently undrawn, which will provide the business with significant liquidity and financial flexibility. After the balance date and prior to the new facility becoming effective an amount of \$43 million was repaid on the original debt. This amount was classified as a current liability at 31 December 2013 to reflect this.

No other matters or circumstances have arisen since the end of the half year that have significantly affected or may significantly affect the operations of the Group, the results of these operations in future financial years or the state of affairs of those entities in periods subsequent to the half year ended 31 December 2013.

**SOUTHERN CROSS AUSTereo  
INTERIM FINANCIAL REPORT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

## Directors' Declaration

The directors of the Company declare that:

- (a) the financial statements and notes set out on pages 4 to 20 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the financial position of the Group as at 31 December 2013 and the financial performance of the Group, as represented by the results of its operations, changes in equity, and cash flows, for the interim financial period ended on that date; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



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Max Moore-Wilton  
Chairman  
Sydney, Australia  
18 February 2014



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Chris de Boer  
Director  
Sydney, Australia  
18 February 2014

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

### ***Report on the Half-Year Financial Report***

We have reviewed the accompanying half-year financial report of Southern Cross Media Group Limited, which comprises the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Southern Cross Austereo (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

### ***Directors' responsibility for the half-year financial report***

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

### ***Auditor's responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Southern Cross Media Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### ***Independence***

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

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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### *Conclusion*

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

1. giving a true and fair view of the entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### *Matters relating to the electronic presentation of the reviewed financial report*

This review report relates to the financial report of the company for the half-year ended 31 December 2013 included on Southern Cross Media Group Limited's web site. The company's directors are responsible for the integrity of the Southern Cross Media Group Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.



PricewaterhouseCoopers



Chris Dodd  
Partner

Melbourne  
18 February 2014