



ABN 91 116 024 536
**APPENDIX 4E [RULE 4.3A]
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014**

Results for Announcement to the Market
(All comparisons to 30 June 2013)

Key Financial Information	\$'000	up/down	% movement
Revenue from ordinary activities	640,834	Down	0.3%
Net (loss) / profit from ordinary activities after tax (including significant items)	(296,008)	Down	408.0%
Net profit from ordinary activities after tax (excluding significant items)	79,629	Down	7.1%

Dividend Information	Amount per share cents	Franked amount per share cents	Tax rate for franking credit
Interim 2014 dividend per share (paid 24 April 2014)	4.5	4.5	30%
Final 2014 dividend per share (to be paid 3 November 2014)	3.0	3.0	30%

Final 2014 Dividend Dates

Ex-dividend date	25 September 2014
Record date	29 September 2014
Payment date	3 November 2014

	30 Jun 14	30 Jun 13
Net Tangible Assets Per Security	\$(0.62)	\$(0.66)

Dividend Reinvestment Plan (DRP)

The DRP will apply to the fully franked dividend of 3.0 cents per share announced today by Chairman Max Moore-Wilton.

Southern Cross Media Group Limited (**SCMG**) has entered into a DRP Shortfall Placement Agreement with CBA Equities Limited (**CBA Equities**) that will involve CBA Equities subscribing for shares with a value of up to 100% of any shortfall in **DRP** Participation by SCMG shareholders (the **DRP Shortfall Placement Facility**).

The proposed DRP Shortfall Placement Facility is one of a number of capital management initiatives under consideration and implementation by SCMG and foreshadowed by SCMG in the ASX announcement dated 30 May 2014. The proposed entry into the DRP Shortfall Placement Facility is intended to enable SCMG to preserve capital by helping to fund the DRP shortfall. However, given the nature of the DRP Shortfall Placement Facility, there is no guarantee that all or any of the DRP shortfall will be funded through the facility.

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

The pricing period for DRP purposes will be 20 trading days, starting on 1 October 2014 and concluding on 28 October 2014 (both inclusive). The pricing methodology is the average VWAP over the pricing period, as determined in accordance with the DRP rules. A discount of 2.5% will apply to the price of shares issued under the DRP.

The DRP application price will be announced to the ASX at the end of the pricing period. It is further noted that, as permitted by the DRP rules, SCMG intends to satisfy DRP requirements for this dividend by issuing new shares.

The dividend is scheduled to be paid on 3 November 2014 to shareholders registered as at 5.00 pm (AEST) on 29 September 2014.

DRP application forms must be received by SCMG's registry, Computershare Investor Services, by 5:00 pm (AEST) on 30 September 2014 to be effective for this dividend. Application forms received after this time will only be effective for subsequent dividends to which the DRP may apply.

Shareholders who wish to change their participation in the DRP are advised to visit SCMG's registry website (www.investorcentre.com) or to contact Computershare Investor Services on 1300 766 272. Changes to participation must also be received by 5:00 pm (AEST) on 30 September 2014.

Additional Appendix 4E disclosure requirements can be found in the directors' report, financial statements and notes to the financial statements contained in the Southern Cross Austereo Financial Report for the year ended 30 June 2014. This report is based on the consolidated Financial Report for the Year Ended 30 June 2014 which has been reviewed by PricewaterhouseCoopers with the Independent Auditor's Report included in the Financial Report.



For personal use only

FINANCIAL REPORT

FOR YEAR ENDED 30 JUNE 2014



SOUTHERN CROSS AUSTEREO
absolutely engaging

Southern Cross Austereo comprises Southern Cross Media Group Limited and its subsidiaries.
Southern Cross Media Group Limited is a company limited by shares and incorporated and domiciled in Australia.

The registered office of Southern Cross Media Group Limited is Level 2, 257 Clarendon Street, South Melbourne, Victoria 3205, Australia. Tel: +61 3 9252 1019

Corporate Governance Statement	4
Principle 1: Lay Solid Foundations for Management and Oversight	6
Principle 2: Structure the Board to Add Value	6
Principle 3: Promote Ethical and Responsible Decision Making	13
Principle 4: Safeguard Integrity in Financial Reporting	15
Principle 5: Make Timely and Balanced Disclosure	16
Principle 6: Respect the Rights of Shareholders	16
Principle 7: Recognise and Manage Risk	17
Principle 8: Remunerate Fairly and Responsibly	17
Directors' Report	19
Review and Results of Operations	19
Distributions and Dividends.....	22
Significant Changes in State of Affairs.....	22
Events Occurring After Balance Date	22
Likely Developments and Expected Results of Operations.....	22
Indemnification and Insurance of Officers and Auditors	22
Environmental Regulation	22
Information on Directors.....	23
Information on Former Directors.....	24
Information on Company Secretary	25
Meetings of Directors.....	25
Remuneration Report.....	26
Auditor's Independence Declaration	50
Statement of Comprehensive Income.....	51
Statement of Financial Position.....	52
Statement of Changes in Equity	53
Statement of Cash Flows	55
Notes to the Financial Statements.....	56
1. Summary of Significant Accounting Policies	56
2. Profit for the Year	70
3. Significant Items	71
4. Remuneration of Auditors	71
5. Income Tax Expense	72
6. Dividends Paid and Proposed	73
7. Current Assets – Cash and Cash Equivalents.....	73
8. Current Assets – Receivables	74

9.	Non-Current Assets – Receivables.....	74
10.	Non-Current Assets – Investments Accounted for Using the Equity Method.....	75
11.	Non-Current Assets – Other Financial Assets	77
12.	Non-Current Assets – Property, Plant and Equipment.....	77
13.	Non-Current Assets – Intangible Assets	80
14.	Deferred Taxes.....	85
15.	Subsidiaries.....	86
16.	Current Liabilities – Payables.....	86
17.	Current Liabilities – Provisions	86
18.	Borrowings	87
19.	Derivative Financial Instruments.....	89
20.	Non-Current Liabilities – Provisions.....	91
21.	Contributed Equity	92
22.	Reserves and Other Equity Transactions.....	94
23.	Accumulated Losses.....	95
24.	Earnings per Share.....	96
25.	Reconciliation of Profit after Income Tax to Net Cash Inflow from Operating Activities.....	97
26.	Financial Risk Management	98
27.	Parent Entity Financial Information	101
28.	Share-Based Payments	102
29.	Related Party Disclosures.....	105
30.	Segment Information	109
31.	Commitments	110
32.	Events Occurring after Balance Sheet Date.....	110
	Directors’ Declaration	111
	PwC Independent Auditor’s Report	112

The financial statements were authorised for issue by the Directors on 19 August 2014. The Directors have the power to amend and re-issue the financial statements.

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 19 August 2014.

The Board of Southern Cross Media Group Limited ("the Company") is responsible for the corporate governance of Southern Cross Austereo, comprising Southern Cross Media Group Limited and its subsidiaries ("the Group"). The Board guides and monitors the business and affairs of the Company and the Group on behalf of shareholders, working with management to implement and maintain an effective system of corporate governance.

ASX Corporate Governance Principles and Recommendations

Principle 1 – Lay solid foundations for management and oversight		Page 6
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	✓
1.2	Companies should disclose the process for evaluating the performance of senior executives.	✓
1.3	Companies should provide the information indicated in the Guide to Reporting on Principle 1.	✓
Principle 2 – Structure the Board to add value		Page 6-13
2.1	A majority of the Board should be Independent Directors.	✗ ¹
2.2	The chair should be an Independent Director.	✗
2.3	The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	✓
2.4	The Board should establish a nomination committee.	✓
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	✓
2.6	Companies should provide the information indicated in the Guide to Reporting on Principle 2.	✓
Principle 3 – Promote ethical and responsible decision-making		Page 13-15
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> the practices necessary to maintain confidence in the company's integrity the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	✓
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	✓
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	✓
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	✓
3.5	Companies should provide the information indicated in the Guide to Reporting on Principle 3.	✓
Principle 4 – Safeguard integrity in financial reporting		Page 15-16
4.1	The Board should establish an audit committee.	✓
4.2	The audit committee should be structured so that it: consists only of Non-Executive Directors; consists of a majority of Independent Directors; is chaired by an independent chair, who is not chair of the Board, and has at least three members.	✓ ²
4.3	The audit committee should have a formal charter.	✓
4.4	Companies should provide the information indicated in the Guide to Reporting on Principle 4.	✓

Principle 5 – Make timely and balanced disclosure Page 16

- | | | |
|-----|--|---|
| 5.1 | Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. | ✓ |
| 5.2 | Companies should provide the information indicated in the Guide to Reporting on Principle 5. | ✓ |

Principle 6 – Respect the rights of shareholders Page 16

- | | | |
|-----|--|---|
| 6.1 | Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. | ✓ |
| 6.2 | Companies should provide the information indicated in the Guide to Reporting on Principle 6. | ✓ |

Principle 7 – Recognise and manage risk Page 17

- | | | |
|-----|---|---|
| 7.1 | Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. | ✓ |
| 7.2 | The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks. | ✓ |
| 7.3 | The Board should disclose whether it has received assurance from the CEO (or equivalent) and the CFO (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. | ✓ |
| 7.4 | Companies should provide the information indicated in the Guide to Reporting on Principle 7. | ✓ |

Principle 8 – Remunerate fairly and responsibly Page 17-18

- | | | |
|-----|---|----------------|
| 8.1 | The Board should establish a remuneration committee. | ✓ |
| 8.2 | The remuneration committee should be structured so that it: consists of a majority of Independent Directors; is chaired by an independent chair and has at least three members. | ✓ ³ |
| 8.3 | Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of executive directors and senior executives. | ✓ |
| 8.4 | Companies should provide the information indicated in the Guide to Reporting on Principle 8 | ✓ |

¹ From 16 January 2014 (when Marina Darling resigned as a Director) to 30 June 2014, the Board contained an equal number (three) of Independent Directors and non-Independent Directors.

² From 1 July 2014 (after Tony Bell resigned as a Director) to 11 July 2014 (when Peter Harvie was appointed to the Committee), the Audit and Risk Committee had only two members. No Audit and Risk Committee meetings were held during this period.

³ As at 30 June 2014, the Nomination and Remuneration Committee was comprised of three Independent Directors and two non-Independent Directors, with an Independent Chair. From 1 July 2014 (after Tony Bell resigned as a Director), the Nomination and Remuneration Committee comprised two Independent Directors and two non-Independent Directors.

Principle 1: Lay Solid Foundations for Management and Oversight

Board of Directors

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

Under the Board Charter, the responsibilities of the Board are:

- oversight of the Company, including its control and accountability systems;
- reviewing and approving the strategic plans of the Company and monitoring the implementation of those plans;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestures;
- determining the dividend policy and the amount, nature and timing of dividends to be paid;
- adopting the annual budget and financial statements and monitoring financial performance;
- evaluating the performance of, and developing succession plans for the CEO and CFO;
- appointing, determining the terms of appointment of, and removing the CEO, CFO and Company Secretary;
- monitoring material business risks;
- reviewing, ratifying and monitoring systems of risk management and internal control, reporting systems and compliance frameworks that have been developed and implemented by management, with guidance from the Audit and Risk Committee;
- reviewing and ratifying codes of conduct, continuous disclosure, legal compliance and other significant corporate policies;
- setting ethical standards and monitoring the Company's relationship with key stakeholders; and
- determining delegations to Board committees and management.

Senior Executives

Day to day management of the Company's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the CEO and senior executives.

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.

Principle 2: Structure the Board to Add Value

Composition and tenure of Board members for the year ended 30 June 2014

Name	Position
Max Moore-Wilton	Chairman (appointed 27 February 2007) Non-Executive Director
Leon Pasternak	Deputy Chairman (appointed 26 September 2005) Non-Executive Director Lead Independent Director
Chris de Boer	Non-Executive Director (appointed 20 September 2005) Independent Director
Tony Bell	Non-Executive Director (appointed 2 April 2008, resigned 30 June 2014) Independent Director
Michael Carapiet	Non-Executive Director (appointed 10 March 2010)
Peter Harvie	Non-Executive Director (appointed 1 August 2011)
Marina Darling	Non-Executive Director (appointed 12 September 2011, resigned 16 January 2014) Independent Director

ASX Corporate Governance Principles and Recommendations – Director Independence

Criteria for assessing the independent status of a director	Max Moore-Wilton	Leon Pasternak	Chris de Boer	Tony Bell	Michael Carapiet	Peter Harvie	Marina Darling
	Non-independent	Independent	Independent	Independent	Non-independent	Non-independent ⁶	Independent
The director is not:							
• a substantial shareholder of the company;	✓	✓	✓	✓	✓	✓	✓
• an officer of, or otherwise associated directly with, a substantial shareholder of the company.	✓	✓ ²	✓ ³	✓	✓	✓	✓
The director is not employed in an executive capacity by the company or another group member or if the director has previously been employed in an executive capacity by the company or another group member, there has been a period of at least three years between ceasing such employment and serving on the Board.	✗ ¹	✓	✓	✓ ⁴	✗ ⁵	✗ ⁶	✓
The director has not been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided within the last three years.	✓	✓	✓	✓	✓	✓	✓
The director is not a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.	✓	✓	✓	✓	✓	✓	✓
The director has no material contractual relationship with the company or another group member other than as a director.	✓	✓	✓	✓	✓	✓	✓

¹ Max Moore-Wilton has been a consultant of Macquarie Group Limited and/or its subsidiaries in the last three years.

² Leon Pasternak was initially appointed as an Independent Director of the Company in 2005 by Macquarie Media Management Limited ("MMML"). Leon was also an Independent Director of MMML at that time. He has since been re-elected to the Board by the members. At all times Leon has been assessed as an Independent Director of the Company.

³ Chris de Boer was initially appointed as an Independent Director of the Company in 2005 by MML. Chris was also a Director of MML at that time. He has since been re-elected to the Board by the members. At all times Chris has been assessed as an Independent Director of the Company.

⁴ Tony Bell resigned from the position of Managing Director of Southern Cross Broadcasting (Australia) Ltd in 2007 following that company's acquisition by Macquarie Media Group ("MMG"). He was appointed a Director of the Company in 2008. At all times Tony has been assessed as an Independent Director.

⁵ Former executive Chairman of Macquarie Capital and Macquarie Securities until July 2011.

⁶ Former executive Chairman of Austereo Group Limited until May 2011, acquired by the Company in May 2011. The Board considers Peter Harvie to be an Independent Director since 1 July 2014.

Board Renewal

On 1 July 2013, the Board comprised a majority of Independent Directors. From 16 January 2014 (when Marina Darling resigned as a Director) to 30 June 2014, the Board contained an equal number (three) of Independent Directors and non-Independent Directors. On 30 June 2014, Independent Director Tony Bell resigned from the Board. From 1 July 2014, the Board, having reviewed the status of Peter Harvie, considered him to be an Independent Director from that date. Included on page 11 is an assessment of Peter Harvie's independence.

Accordingly, the Board has also engaged with institutional investor proxy advisers to discuss their views on director independence.

In response to these events, the Board has developed and committed to an orderly process of renewal focused on:

- increasing the number of non-executive, Independent Directors;
- attracting a cross-section of expertise including listed company directorship, finance, technology, marketing and media industry expertise in particular; and
- continuity of corporate knowledge and experience.

Michael Carapiet has advised that he will step down at the 2014 Annual General Meeting ("AGM") due to his increased commitments outside the Company. The Chairman has also advised that he intends to step down during the course of the 2015 financial year, following selection and appointment of a successor.

Collectively, these changes have provided the Board with a significant opportunity for renewal through the appointment of three new Independent Directors who bring a highly relevant and diverse range of expertise to the Board table.

On 19 August 2014, the Board appointed Rob Murray, Kathy Gramp and Glen Boreham as Non-Executive Independent Directors. They will commence duties as of 1 September 2014 and stand for election at the forthcoming AGM in October this year.

Rob Murray's experience across major international and domestic food and beverage industries and as CEO of the former Lion Nathan business (now Lion) brings the insights and needs of major marketing and sales organisations to the Board. Kathy Gramp is a Chartered Accountant and has direct knowledge of the media industry, having served as the CFO of the Austereo Group between 2003 and 2011. Glen Boreham has a strong technology background, having had an executive career at IBM which culminated in his role as CEO of IBM Australia and New Zealand between 2006 and 2010. Glen is Chairman of the Advisory Boards of the University of Technology NSW and that institution's Business School.

Leon Pasternak is Deputy Chairman and Lead Independent Director. He fulfils the role of chair whenever the Chairman is absent or conflicted due to his other roles, assists the Board in reviewing the performance of the Chairman and provides a separate channel of communication for stakeholders.

Leon Pasternak, Chris de Boer and Peter Harvie will continue in their respective roles to ensure Board continuity and to provide support to the incoming Board members and management. It is important that the Company retains the benefit of their knowledge of the business and its corporate history.

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

Delegated Authority

The Constitution and the Board Charter enable the Board to delegate to Committees and management.

The roles and responsibilities are captured in the Charters of the two established Committees:

1. Audit and Risk Committee

The Company's Audit and Risk Committee is comprised of three Independent Directors. The Chairman of the Board does not chair the Audit and Risk Committee. Details of the members of the Audit and Risk Committee and their attendances at Committee meetings are set out in the Directors' Report. The Audit and Risk Committee Charter is available on the Southern Cross Austereo website.

2. Nomination and Remuneration Committee

The Company has established a Nomination and Remuneration Committee. The Chairman and the majority of the Nomination and Remuneration Committee are composed of Independent Directors. 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 is governed by a Board-approved Charter which is available on the Southern Cross Austereo website.

Independence

Board Independence

Members of the Board have a broad range of industry, financial and other skills, knowledge and experience to effectively guide the business. 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 its deliberations.

The Board assesses the independence of the Directors on appointment and annually. Directors are considered independent if they are independent of management and free from any business or other association that could materially interfere with or reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement. These considerations include both financial independence and a demonstrated ability to exercise independence of mind and conduct.

All Directors, whether classified independent or not, are required to bring independent judgement to bear on Board decisions.

Membership of Board Committees as at 30 June 2014

Director	Audit and Risk Committee	Nomination and Remuneration Committee
Max Moore-Wilton	-	Member
Leon Pasternak	Member	Chair ¹
Chris de Boer	Chair	Member
Michael Carapiet	-	-
Peter Harvie	- ²	Member
Marina Darling (resigned 16 January 2014)	Member	-
Tony Bell (resigned 30 June 2014)	Member	Chair ¹

¹ Leon Pasternak became Chair on 24 June 2014 following the resignation of Tony Bell

² Peter Harvie has joined the Audit and Risk Committee effective 11 July 2014

Chairman

The Chairman is responsible for:

- leadership of the Board;
- overseeing the Board in the effective discharge of its supervisory role;

- facilitating the work of the Board at its meetings and ensuring that the principles of the Board are maintained;
- taking such measures as are necessary to facilitate an effective contribution by all Directors;
- promoting a constructive relationship between the Board and management; and
- ensuring that there is regular and effective evaluation of the Board's performance.

The Chairman of the Board is Max Moore-Wilton, who became Chairman on 27 February 2007. Max is not considered independent given that in the last three years he has been a consultant of Macquarie (comprising Macquarie Group Limited and its subsidiaries), which is the Company's largest investor. As such, the Company has not complied with the Principles.

Max Moore-Wilton has indicated that he intends to step down during the course of the 2015 financial year, following the appointment of a successor. The Board Charter requires that all future chairs be independent.

CEO

The Company's CEO is Mr Rhys Holleran. The CEO's role includes:

- leadership of the management team;
- day to day management of the Company's operations; and
- implementation of the Company strategies and policies.

The roles of Chairman and CEO are not exercised by the same individual.

Deputy Chairman

The Deputy Chairman is responsible for:

- chairing Board meetings when the Chairman is absent;
- where required, acting as a liaison between Independent Non-Executive Directors and the CEO or Non-Independent Directors.

As Lead Independent Director, the Deputy Chairman is also responsible for:

- convening a meeting of the Independent Non-Executive Directors for the purpose of discussing any issue of interest to the Independent Non-Executive Directors and briefing the CEO on issues arising from such meetings; and
- conferring on a regular basis with the Independent Non-Executive Directors on issues relating to the business and operations of the Company and the discharge by the Board and each Committee of the Board of their respective functions and obligations.

The Deputy Chairman of the Board is Leon Pasternak, previously a Vice Chairman and Managing Director of Bank of America Merrill Lynch (retired in February 2014).

Leon Pasternak has been a Director of the Company since it was part of the stapled structure known as the Macquarie Media Group ("MMG"). At that time he was also an Independent Director of Macquarie Media Management Limited ("MMML") (then a Macquarie entity that was the responsible entity (trustee) of, and investment manager to, MMG entities). Leon was initially appointed to these directorships to provide independent leadership in the management of MMG and was at the time considered to be independent from Macquarie and an Independent Director of the Company.

Leon was considered independent because he had not been within the three years prior to his appointment to the Board, a principal or employee of a professional adviser to MMG, Macquarie or Macquarie-managed vehicles whose billings to MMG, Macquarie or other Macquarie-managed vehicles over the previous full year, in aggregate, exceeded 5% of the adviser's total revenues over that period.

Leon continues not to have any financial or other relationship with any substantial shareholder that may preclude him from being considered independent by the current Board.

Leon was initially appointed to the Board pursuant to special share rights held by MMML, but has since been re-elected by the shareholders of the Company on two occasions.

The Board has considered whether the manner of these appointments might interfere, or might reasonably be seen to interfere, with the Deputy Chairman's capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of the Company and security holders generally. The Board of the Company also considers that Leon has demonstrated an independence of mind in constructively contributing to Board deliberations.

The Board, having assessed his associations, his experience and his performance on the Board, is satisfied that the Deputy Chairman is an Independent Director.

Directors

Chris de Boer

The Board notes that similarly to Leon Pasternak, Chris de Boer was initially appointed to the Board of the Company by MMML pursuant to the exercise of its special share rights and at the time was also an Independent Director of MMML. Chris was considered independent because he had not been, within the three years prior to his appointment to the Board, a principal or employee of a professional adviser to MMG, Macquarie or Macquarie-managed vehicles whose billings to MMG, Macquarie or other Macquarie-managed vehicles over the previous full year, in aggregate, exceeded 5% of the adviser's total revenues over that period.

He continues not to have any financial or other relationship with any substantial shareholder that may preclude him from being considered independent by the current Board.

Chris has since been re-elected by the shareholders of the Company on two occasions. The Board has considered whether the manner of these appointments might interfere, or might reasonably be seen to interfere, with Chris' capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of the Company and security holders generally. The Board, having assessed his associations and experience, is satisfied that Chris is an Independent Director.

Peter Harvie

The Board notes that prior to his appointment to the Board in August 2011, Peter Harvie held the position of Executive Chairman of Austereo Company Limited from 1997 to May 2011, Executive Chairman of Austereo Pty Ltd, and Managing Director of the Triple M Network. The Board recognises Peter's extensive professional experience in media, advertising and marketing and notes his previous roles as founder and Managing Director of the Clemenger Harvie advertising agency from 1974 to 1993.

More than three years have passed since Peter held the role of Executive Chairman of Austereo Company Limited. The Board has assessed the materiality of the interests, associations and relationships stemming from his tenure as an executive and considers that sufficient time has elapsed since his retirement from an executive role that any such interests, relationships or associations do not interfere, or could not reasonably be seen to interfere, with Peter's capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of the Company and security holders generally. The Board notes that for these reasons, from 1 July 2014 the Board considers Peter to be an Independent Director.

Board meetings

Full Board meetings are held approximately ten times per year, with other meetings called as required. Meetings attended by Directors for the financial year ended 30 June 2014 are reported in the Directors' Report.

Directors are provided with Board reports in advance of Board meetings, which contain sufficient information to enable informed discussion of all agenda items.

Terms of office

The Company's constitution specifies that all Directors must retire from office no later than the third AGM following their last election. Where eligible, a Director may stand for re-election.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for making recommendations to the Board concerning nomination, remuneration and diversity.

Nomination

The Nomination and Remuneration Committee is responsible for:

- the size and composition of the Board;
- development and implementation of processes for the selection appointment and re-election of Directors;
- selection and recommendation of candidates to the Board;
- identifying Directors qualified to fill vacancies on Board Committees;
- establishing and reviewing Board and senior executive succession plans;
- assessing the capabilities of those who may be considered for succession to the CEO, CFO and senior executive positions;
- establishment and implementation of a process for evaluation of the performance of the Board, Board Committees, and Directors; and
- identifying training and education programs for the Board.

New Directors receive an induction pack that includes a letter of appointment setting out the conditions and term of their appointment and remuneration. A program for the induction of new Directors and the provision of appropriate professional development opportunities to develop and maintain the skills and knowledge needed to perform their role is also available to all Directors.

The Board may appoint a new Director, either to fill a casual vacancy or as an addition to the existing Directors, provided the total number of Directors is no more than eight. A Director appointed by the Board holds office only until the close of the next AGM, but is eligible for election by shareholders at that meeting.

Remuneration

The Nomination and Remuneration Committee is responsible for making recommendations to the Board on:

- the remuneration framework, policies and practices for the Executive Directors and staff to ensure that they:
 - (i) attract and motivate Directors, senior executives and employees to pursue the Company's long term growth;
 - (ii) demonstrate a clear relationship between executive performance and investor value; and
 - (iii) are reasonable and fair, having regard to best governance practices and legal requirements.
- the total level of remuneration of Non-Executive Directors and for individual fees for Non-Executive Directors and the Chairman, including any additional fees payable for membership of Board committees;
- the remuneration packages of the CEO, CFO and senior executives, including base pay, incentive payments, equity awards, retirement rights and service contracts having regard to the need to attract and retain a highly motivated and professional staff;
- the Company's equity based incentive schemes including a consideration of performance thresholds and regulatory and market requirements;
- the Company's superannuation arrangements and compliance with relevant laws and regulations in relation to superannuation arrangements; and
- the Company's remuneration reporting in the financial statements and remuneration report. The Committee will liaise with the Audit and Risk Committee in undertaking this responsibility.

The Board acknowledges the comments of various proxy advisers on the structure, disclosure and explanation of the executive remuneration framework in the Remuneration Report presented in the 2013 Annual Report. As a result, a number of changes and improvements have been made during the course of the year under review. These are detailed in the Remuneration Report.

Diversity

The Nomination and Remuneration Committee is responsible for:

- reviewing and making recommendations to the Board on gender diversity;
- assessing and reporting to the Board on the effectiveness of gender diversity objectives and monitoring and reporting to the Board on the achievement of diversity targets on an annual basis;
- making recommendations to the Board in relation to the objectives for achieving gender diversity, and the initiatives and strategies to support those objectives; and

- including gender diversity objectives in Board recruitment, Board performance evaluation and succession planning processes.

Nomination and Remuneration Committee Charter

The 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.

Tony Bell, an Independent Director, was Chairman of the Committee from 25 October 2011 to 24 June 2014.

Leon Pasternak, an Independent Director, was appointed Chairman of the Committee on 24 June 2014.

Members of the Nomination and Remuneration Committee and their attendance at Committee meetings for the financial year ended 30 June 2014 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, Committees and the Board as a whole is reviewed in accordance with the procedures set out in the Board Charter. Such evaluations took place in the first half of 2014.

Independent Professional Advice

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

Principle 3: Promote Ethical and Responsible Decision Making

Code of Conduct

The Company's Code of Conduct sets out principles and standards that apply to all Directors, employees and certain contractors and consultants.

The Company is committed to:

- avoiding or appropriately managing any conflict of interest between the personal interests of a Director or staff member and their responsibility to serve the interests of the Company;
- ensuring property, information and position are not misused for personal benefit or to compete with the Company;
- ensuring the Company's assets are used only for authorised and legitimate business purposes;
- maintaining the confidentiality of information and the privacy of personal information entrusted to the Company by its employees and other stakeholders except where disclosure is authorised;
- ensuring high standards of disclosure and audit integrity in relation to the Company's activities and financial performance;
- ensuring dealings between the Company and a competitor or supplier are conducted in a lawful and fair manner;
- supporting the communities in which the Company operates;
- conducting all business in accordance with applicable laws and regulations in the jurisdictions in which the Company operates, and in a way that enhances its reputation in those markets;
- prohibiting any activity that seeks to bribe, corrupt or otherwise improperly influence a public official in any country to act (or omit to act) in a way that differs from that official's proper duties, obligations and standards of conduct for the benefit of the Company or any connected person/entity; and
- protecting a person who makes, or assists someone to make, a report concerning a violation of this Code in good faith.

The Code includes whistle-blower, anti-corruption and dealing with government policies.

In addition, the Company has formulated and fosters commitment to its values:

- outstanding service;

- challenge, change, create and innovate;
- teamwork;
- recruit and retain the best;
- speak openly. Listen actively;
- empower and trust; and
- exceptional implementation.

The Company is committed to making a positive impact on the lives of others both in Australia and overseas by conducting numerous fundraising activities, donating airtime and engaging in volunteer work. Some of the charities the Company worked with in the financial year ended 30 June 2014 include Mission Australia, Habitat for Humanity, Salvation Army and Beyond Blue. The Company's own charitable Trust, Give Me Five for Kids, has raised millions of dollars for the provision of paediatric health services in regional Australia.

The Company conducts its business dealings with contractors and suppliers in a responsible, respectful and ethical manner.

The Code of Conduct is underpinned by a range of additional policies including the Securities Trading Policy, Workplace Health and Safety Policy, Communications and Disclosure Policy, and Privacy Policy. The Code of Conduct is available on the Southern Cross Austereo website.

Trading in company securities

The Company has a Securities Trading Policy. Directors and managers must not trade directly or indirectly in Company securities while in possession of price sensitive information. Price sensitive information is information which is not public about the Company which a reasonable person would expect to have a material effect on the price or value of Company securities or which would be likely to influence an investment decision in relation to the securities. The Securities Trading Policy is available on the Southern Cross Austereo website.

Diversity

The Company's objective is to advance equal employment opportunities for its staff and to diversify and develop its workforce. Furthermore, the Company recognises the value of attracting and retaining employees with different backgrounds, experience, knowledge and abilities. The Diversity Policy is available on the Southern Cross Austereo website.

The Company aims to ensure that diversity contributes to its business success and benefits individuals, teams, clients and the community.

The Company's Diversity Policy includes gender, age, ethnicity, cultural background, impairment or disability, sexual preference and religion. It is approved by the Board and overseen by the Nomination and Remuneration Committee.

The Company recognises that its business performance, productivity and shareholder return is enhanced by a diverse workforce, senior management team and Board.

The Company is committed to its people and to workplace diversity. The Company values a diverse workforce where all employees are treated with respect and fairness and have equal opportunities available to them.

Strategic recruitment allows the Company to locate and attract the most suitable person for a position. It supports the appointment of staff who will uphold the Company's values, its current and future goals in order to generate a sustainable competitive advantage for the organisation.

The Company is an equal opportunity employer and is committed to the principle that people should be employed upon the basis of merit. The Company makes all reasonable endeavours to avoid any form of discrimination on the basis of sex, sexual orientation, marital status, age, religion, race, colour, political opinion, disability, pregnancy and carer responsibilities.

The Company believes that the promotion of diversity at all levels within the organisation will enhance creativity and innovation and reflect the communities in which the Company operates.

In 2012, the Board set the following measurable objectives for achieving gender diversity:

- percentage of women in senior management positions to be 35% by 2015;
- percentage of women in middle management positions to be 40% by 2015; and
- at least one female Non-Executive Independent Director at all times.

The Company is pleased to report the objectives relating to senior and middle management position objectives have been met. However, it must ensure that these statistics are maintained in future years.

Gender composition within the Company as at 30 June 2014

Category	% Female	% Male
Board	0% ¹	100%
Senior management roles	38%	62%
Middle management roles	40%	60%
Employees	51%	49%

¹ 12.5% after the appointment of Kathy Gramp as Director effective 1 September 2014.

Principle 4: Safeguard Integrity in Financial Reporting

Audit and Risk Committee

The Company has established an Audit and Risk Committee. The Committee is governed by a Board-approved Charter which is available on the Southern Cross Austereo website.

The Audit and Risk Committee comprised of four Independent Directors until the resignation of Marina Darling on 16 January 2014. The Committee is chaired by Chris de Boer. Peter Harvie was appointed to the Committee on 11 July 2014 following the resignation of Tony Bell on 30 June 2014. 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 is responsible for financial reporting, risk management and internal control, external audit and reporting to the Board.

The Chairman of the Board does not chair the Audit and Risk Committee.

Financial Reporting

The Audit and Risk Committee is responsible for:

- ensuring the appropriateness of the Company's material accounting policies and practices which underlie financial reports;
- reviewing the reasonableness of significant estimates in the financial reports by making inquiries of management and the external auditor;
- reviewing the annual and half-year financial reports and making recommendations to the Board for the adoption of these reports; and
- recommending to the Board and subsequently monitoring the procedures in place to ensure that the Company is compliant with the various legislative and reporting requirements for financial statements, including the Corporations Act and ASX Listing Rules.

Risk Management and Internal Control

The Audit and Risk Committee is responsible for:

- monitoring the establishment of an appropriate internal control framework;
- monitoring and reviewing the effectiveness of the Company's risk management and control systems with management; and
- reporting to the Board on internal control processes for identifying and managing key risk areas.

External Audit

The Audit and Risk Committee is responsible for:

- overseeing the selection, appointment, rotation and removal of the external auditor;
- recommending to the Board the appointment of the external auditor and their fee;
- reviewing the scope of the external audit plan, the performance of the external auditor and overseeing and appraising the quality of audits conducted by the external auditor;
- meeting separately with the external auditor at least once a year to discuss any matters that the Committee or auditor believes should be discussed privately; and
- reviewing and approving matters relating to auditor independence having particular regard to the provision of non-audit services.

Reporting to the Board

The Audit and Risk Committee is responsible for ensuring that all matters relevant to the Committee's roles and responsibilities are brought to the attention of the Board for its review.

The Committee is also responsible for maintaining open lines of communication between the Board, management and the external auditors so as to enable information and points of view to be freely exchanged.

The auditor attends the Company's 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.

The Risk Management Policy is available on the Southern Cross Austereo website.

Principle 5: Make Timely and Balanced Disclosure

It is the Company's policy to comply with ASX Listing Rule Requirements and provide timely, open and accurate information to its investors, regulators and the wider investment community.

The Company has a Communications and Disclosure Policy. 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 is the Southern Cross Austereo Company Secretary, or the CFO in the Company Secretary's absence.

The Communications and Disclosure Policy is available on the Southern Cross Austereo website.

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 2014. Presentations by the Chairman and CEO at the AGM are webcast on the Southern Cross Austereo website.

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.

The Communications and Disclosure Policy is available on the Southern Cross Austereo website.

Principle 7: Recognise and Manage Risk

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

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

Key business risk categories that are addressed by the policy include financial (including investment, compliance, liquidity, credit, interest rate risk) reputation, technology, regulatory, legal, operational, people (including workplace health and safety, environmental and social responsibilities) and strategic risks.

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

The Company has not implemented an internal audit function. The Board believes that the nature of the Company's operations currently 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

The CEO and Group Financial Controller (acting in the capacity of CFO under authority of the Board) have declared in writing to the Board that:

- financial records have been properly maintained in that they correctly record and explain its transactions, and financial position and performance, enable true and fair financial statements to be prepared and audited; and are retained for seven years after the transactions covered by the records are completed;
- the financial statements and notes required by the accounting standards for the financial year comply with the accounting standards;
- the financial statements and notes for the financial year give a true and fair view of the Company's financial position and of its performance;
- any other matters that are prescribed by the Corporations Act and regulations as they relate to statements and notes for the financial year are satisfied; and
- in accordance with section 295A of the Corporations Act, in their view the financial statements are founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Risk Management Policy is available on the Southern Cross Austereo website.

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 the CEO and CFO and any Executive Directors. In making these determinations, regard is had to comparable industry or professional salary levels and to the specific performance of the individuals concerned. The Company clearly distinguishes the structure of Non-Executive Directors' remuneration (paid in the form of a fixed fee) and that of any Executive Director and senior executives.

The remuneration of managers and staff including senior executives other than the CFO 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. In the case of senior executives, remuneration is appropriately positioned having regard to comparable executive remuneration benchmarking.

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

Senior executives were evaluated throughout the year in accordance with the Senior Executive Evaluation Policy which is available on the Southern Cross Austereo website.

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 year ended 30 June 2014. 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 (Deputy Chairman)
- Chris de Boer
- Tony Bell (resigned 30 June 2014)
- Michael Carapiet
- Peter Harvie
- Marina Darling (resigned 16 January 2014)

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 Group reported revenues of \$640.8 million, a fall of 0.3% on prior year revenues of \$642.6 million with reported Earnings before Interest, Taxes, Depreciation and Amortisation ("EBITDA") of \$179.7 million, down 14.8% on prior year EBITDA of \$211.0 million. Depreciation and amortisation were up \$1.0 million or 3.9%, as the business continues to invest in systems integration projects to achieve operational efficiencies. Reductions in interest expense and other borrowing costs of 24.1% and income tax expense of 55.8% are the result of the Group having favourably resolved its tax dispute with the Australian Taxation Office ("ATO") (refer note 5 for further details) and the successful refinance of the syndicated debt facility (refer note 18 for further details). Net Profit After Tax ("NPAT") of the Group was down 408.0% to a loss of \$296.0 million due to impairment of intangibles and investments, compared to the prior year NPAT of \$96.1 million.

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, impairment, fair value movements on financial derivatives and income tax expense for the year from continuing operations' included within the Statement of Comprehensive Income (which has been subject to audit).

Significant Items

The Group had a 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 objected against the assessments and during the period reached a settlement with the ATO in relation to all aspects of the dispute. The settlement of \$14.0 million payable to the ATO in primary tax resulted in a write-back during the period of interest expense of \$10.9 million and income tax expense of \$15.5 million. Subsequent to year end, payment of the primary tax was made on 11 August 2014, and the matter has now been concluded.

Review and Results of Operations (continued)

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. The refinancing resulted in the balance of unamortised borrowing costs from the previous facility being written off during the period, being \$5.6 million or \$3.9 million after tax.

The Group has recognised impairment charges against intangible assets and investments of \$392.5 million. Of this, \$375.7 million relates to the Regional Free to Air Broadcasting Cash Generating Unit, \$4.7 million relates to excess digital spectrum, and \$12.1 million relates to investments in associates. Refer to Notes 10 and 13 for further information. The Group also recognised an onerous contract in respect of digital radio (DAB+) contracts of \$8.1 million, or \$5.7 million after tax. In respect of the Regional CGU, the Group has reassessed its market share assumptions around television revenues on the basis that ratings for the Channel 10 product have now been consistent for the past two years, and without any real improvement off the back of special events during the year, being the Big Bash League and Sochi Winter Olympics. For this reason the television revenue growth rates over the forecast period and the terminal growth rate for the Regional CGU reflect this more subdued position. This has been coupled with company specific factors like an increase in the pre tax discount rate primarily due to the target debt to enterprise value reducing to 30% from 40% consistent with comparable companies.

During 2013, the Group divested of a subsidiary that held two commercial FM radio broadcasting licences in the Sunshine Coast region. The profit on sale of \$10.4 million was a significant item. In 2013, the Sunshine Coast Radio business had revenue of \$5.0 million, EBITDA of \$1.9 million and NPAT of \$1.2 million that was included in the statutory profit. The results were not separately disclosed as discontinued operations as the numbers individually were not material. Refer to note 3 for further information.

Excluding significant items and discontinued operations, revenues were up 0.5% on prior year and EBITDA was down from \$198.6 million to \$187.8 million, a fall of 5.4%. NPAT was down 5.7% from \$84.4 million to \$79.6 million.

Excluding significant items, net interest expense and other borrowing costs of the Group were \$44.6 million, a reduction of 12.9% on prior year, and this is the result of both reductions in variable interest rates and the more favourable terms achieved during the recent refinance. Income tax was down 3.0% from \$37.2 million to \$36.0 million.

Executives

In early 2014, the Group announced the passing of its CFO, Stephen Kelly. Stephen was a highly respected member of the senior executive team and was held in high regard by the Board and the wider investment community. The Group announced on 18 August 2014 that Nick McKechnie has been appointed to the position of CFO commencing 8 September 2014. In the interim, the functions of the CFO are being performed by the CEO and other senior members of the finance team.

Jane Summerhayes was appointed as the General Counsel and Company Secretary of the Group in May 2014. Jane is a qualified solicitor with more than twenty seven years' experience, commencing in private practice, followed by twenty two years in media law at the Australian Broadcasting Corporation and News Corp Australia.

Strategic Update

The Group continues to pursue a strategy of operational improvement which includes a continual focus on achieving operational efficiencies, the regeneration of the Today radio network, a review of non-core assets and further integration and monetisation of the Group's sizeable digital media footprint.

During the 2014 financial year, the Group established internal working groups to review key operational areas of the business, with the result being the implementation of initiatives that will result in annualised savings in excess of \$6.0 million, some of which have been realised during the year. In addition to this there have been some significant milestones being achieved with the go live of the group wide traffic system and the completion of the new radio audio distribution network, both of which will bring significant efficiencies and opportunities to the Group in the future.

Review and Results of Operations (continued)

Over the last 12 months, the Group has seen significant development in digital media with the Group becoming one of the largest online publishers in Australia, the most socially engaging company in Australia and achieving triple digit growth in average online audiences. Under the vision and leadership of Clive Dickens, the Group's head of Digital and Innovation, the Group continues to define its strategy for monetisation of its already sizeable digital footprint and has seen digital revenues grow 17.3% during the year.

The Group continues improve its risk management and strive for better than best practice in the broadcast of content. Across the year the Group rolled out further improvements to its content compliance, including additional training and establishment of a working committee that oversees ongoing training and generally accepted principles with regard to the broadcast of radio content.

Regional Free to Air Broadcasting

Television revenues have performed well in what continues to be a challenging ratings environment for the Channel 10 product. The Group has made further investment in TV content through showing the Big Bash League cricket and the Sochi Winter Olympics during the year, and whilst these events have been a moderate success, particularly with driving local advertising revenues, the Group did not see a sustained improvement in ratings to get the ongoing benefits from these events.

The Group continues to look at new and innovative ways to utilise the TV broadcast spectrum and has recently signed deals for the provision of excess spectrum to TV shopping channels and this has been the key driver of the modest growth in TV revenues across the year.

Taking into consideration the divested Sunshine Coast Radio in 2013, regional radio revenues have improved marginally, with growth driven by local market sales being offset by a decrease in national sales which have been impacted by the absence of spending from some key clients in the second half of the year.

As advertising markets remain challenging, the Group continues its ongoing commitment to cost control.

Metropolitan Free to Air Broadcasting

The Group is in the process of regenerating the Today network and whilst the Group will continue to refine the offering, it has been pleasing the way these changes have been received by audiences. The strategy of having two strong metro stations in each capital city that appeal to different audiences has been proven, with growth on the Triple M network largely offsetting the financial impacts of rebuilding the Today network.

The Group has made a strong commitment to regaining the dominant number 1 ratings position across the Today network and has made significant investment in content and marketing over the last 12 months. At the same time, the Group has worked hard to improve the efficiency in other parts of the business to offset this investment.

Community

The Group continues its proud tradition of giving back to local communities. Through My Community Connect, regional Australians are provided with an online event registry that is further supported via amplification through the Group's broad array of media assets.

Give Me 5 For Kids, an annual fundraiser with an established 20 year history, has again raised millions of dollars for the benefit of local children's hospitals and enables recipients to provide the best care to sick children and their families when they need it most.

Every December, the Southern Cross Austereo "I Believe in Christmas" appeal delivers the festivities of Christmas to kids throughout regional Australia. This year, the annual toy drive collected over 20,000 toys that were distributed by the Salvation Army to families and children in need.

The Board of Directors would like to thank the Group's talented and committed staff who continue to produce excellence every day, and would also like to thank the shareholders who continue to show support for the Group.

Distributions and Dividends

Type	Cents per share	Total Amount \$'000	Date of Payment
Final 2012 Ordinary	5.0	35,243	19 October 2012
Interim 2013 Ordinary	4.5	31,719	26 April 2013
Final 2013 Ordinary	4.5	31,730	21 October 2013
Interim 2014 Ordinary	4.5	31,736	24 April 2014

Since the end of the financial year the Directors have declared the payment of a final 2014 ordinary dividend of \$21.2 million (3.0 cents per fully paid share) out of retained earnings – 2013 profit reserve. This dividend will be paid on 3 November 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 year under review.

Events Occurring After Balance Date

Peter Lewis resigned from the position of CFO, effective 30 July 2014. The Group announced the resignation of Peter Lewis in an ASX announcement made on 17 July 2014. The Group announced on 18 August 2014 that Nick McKechnie has been appointed to the position of CFO commencing 8 September 2014. In the interim, the functions of the CFO are being performed by the CEO and other senior members of the finance team.

At the Board meeting held on 19 August 2014 the Directors resolved to appoint three new Directors to the Board, commencing 1 September 2014. The new Directors are Rob Murray, Kathy Gramp and Glen Boreham.

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 \$191,679 to insure its officers. So long as the officers of the Company act in accordance with the Constitution and the law, the officers remain indemnified out of the assets of the Company and the Group against any losses incurred while acting on behalf of the Company and the Group. The auditors of the Group are in no way indemnified out of the assets of the Group.

Environmental Regulation

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

Information on Directors

Chairman Max Moore-Wilton	<p><i>Age 71, Appointed 27 February 2007</i></p> <p>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.</p> <p><i>Other Current Directorships</i></p> <p>Max currently serves as Chairman of the boards of the following listed companies:</p> <p>Sydney Airport Holdings Limited</p> <p>Southern Cross Airports Corporation Holdings Limited</p> <p><i>Former Directorships in the last 3 years</i></p> <p>Max has not ceased any listed company directorships in the last 3 years.</p>
Independent Director Leon Pasternak	<p><i>Age 59, Appointed 26 September 2005</i></p> <p>Leon Pasternak joined the Board in September 2005 as an Independent Director and continues to hold this role. Leon is the Deputy Chairman of the Board and a member of the Audit and Risk Committee. In June 2014, following the retirement of Tony Bell, he was appointed Chairman of the Nomination and Remuneration Committee.</p> <p>Until February 2014, Leon was the Vice Chairman and Managing Director with Merrill Lynch Markets (Australia) Pty Limited (a subsidiary of Bank of America) with cross sector and product responsibility including for financial institutions and mergers and acquisitions. He was a partner at Freehills for 25 years (now Herbert Smith Freehills) a leading global firm of lawyers. Leon served on the Freehills' board and practised in the law of mergers and acquisitions, public finance and corporate reorganisations. He was a part time lecturer at Sydney and NSW universities teaching in their respective masters of law programmes. Leon served on the Campbell Committee (Inquiry into Australia's Financial System). He has an LLB and BEc (Hons) majoring in accounting from Sydney University. He is a fellow of the Australian Institute of Company Directors.</p> <p>Leon has served on major boards including OPSM and Coca Cola Amatil. The Board considers Leon to be independent as he has not been and continues not to be associated with or hold any business or other relationships with any substantial shareholder and has demonstrated an independence of mind in constructively contributing to board deliberations.</p> <p><i>Other Current Directorships</i></p> <p>Leon has no other current directorships in listed companies.</p> <p><i>Former Directorships in the last 3 years</i></p> <p>Leon has not ceased any listed company directorships in the last 3 years.</p>
Independent Director Chris de Boer	<p><i>Age 69, Appointed 20 September 2005</i></p> <p>Chris de Boer joined the Board in September 2005 as an independent director. He is chairman of the Audit and Risk Committee and a member of the Nomination and Remuneration Committee. Chris qualified as a chartered accountant in London and since then has had various careers in stockbroking, investment banking, business consulting, and direct investment. Through them he 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. He was on the board of Optus prior to its listing on the ASX and was chairman of the New Zealand Venture Investment Fund.</p> <p>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.</p> <p>Chris has an MA from Cambridge University and is a member of the Institute of Directors in New Zealand.</p>

Information on Directors (continued)

Independent Director Chris de Boer (continued)	<p><i>Other Current Directorships</i></p> <p>Chris has no other current directorships in listed companies.</p> <p><i>Former Directorships in the last 3 years</i></p> <p>Chris has not ceased any listed company directorships in the last 3 years</p>
Non-Executive Director Michael Carapiet	<p><i>Age 55, Appointed 10 March 2010. Previously appointed Alternate Director on 11 April 2008 and resigned on 10 March 2010.</i></p> <p>Michael Carapiet has more than 30 years experience in the financial sector. He retired from Macquarie Group in 2011, where he held a number of senior roles including that of an Executive Committee member. Michael is the Chairperson of SAS Trustee Corporation (NSW State Super) and the Chairperson of Safety, Return to Work and Support Board that comprises the WorkCover Authority of NSW, the Lifetime Care and Support and Motor Accidents Authority. He is also Chairman of Smartsalary Corporation Limited and Chairman of Adexum Capital Limited. Michael is a director of Clean Energy Finance Corporation and is on the Advisory Boards of Norton Rose Australia and Transfield Holdings.</p> <p><i>Other Current Directorships</i></p> <p>Michael has been Chairman of Smartsalary Corporation Limited since 18 February 2014 (listed 2 July 2014)</p> <p><i>Former Directorships in the last 3 years</i></p> <p>Michael has not ceased any listed company directorships in the last 3 years</p>
Non-Executive Director Peter Harvie	<p><i>Age 75, Appointed 1 August 2011</i></p> <p>Peter Harvie is a committee member of the company's Nomination and Remuneration Committee and became a member of the Audit and Risk Committee on 11 July 2014. Peter has more than 45 years' experience in the advertising, marketing and media industries. 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 founder and managing director of the Clemenger Harvie advertising agency from 1974 to 1993.</p> <p><i>Other Current Directorships</i></p> <p>Peter has been a director of Village Roadshow Limited since 20 June 2000.</p> <p>Peter has been Chairman of CHE Proximity Pty Ltd since 2011.</p> <p><i>Former Directorships in the last 3 years</i></p> <p>Peter ceased being a director of Austereo Group Limited on 18 July 2011.</p>

Information on Former Directors

Independent Director Marina Darling	<p><i>Age 55, Appointed 12 September 2011, Resigned 16 January 2014</i></p> <p>Marina Darling was a committee member of the company's Audit and Risk Committee. Marina was an experienced company director and had worked in an executive capacity in the legal and corporate finance sectors and property development. Marina was also a Non-Executive Director of The Mirvac Group and had previously been a Non-Executive Director of a broad range of listed companies, government bodies and other organisations. These have included Argo Investments Limited, Southern Cross Broadcasting Limited, National Australia Trustees Limited, GIO Holdings Limited, Deacons (Lawyers) and Southern Hydro Limited.</p> <p><i>Other Current Directorships</i></p> <p>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.</p> <p><i>Former Directorships in the last 3 years</i></p> <p>Marina ceased being a director of Argo Investments Limited on 29 February 2012.</p>
---	--

Information on Former Directors (continued)

Independent Director Tony Bell	<p><i>Age 60, Appointed 2 April 2008, Resigned 30 June 2014</i></p> <p>Tony Bell was Chairman of the company's Nomination and Remuneration Committee until 24 June 2014 and a member thereof until 30 June 2014, and a committee member of the Audit and Risk Committee until his resignation on 30 June 2014. 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.</p> <p><i>Other Current Directorships</i></p> <p>Tony had no other current directorships in listed companies.</p> <p><i>Former Directorships in the last 3 years</i></p> <p>Tony has not ceased any listed company directorships in the last 3 years.</p>
--	---

Information on Company Secretary

Jane Summerhayes LLB	<p><i>Appointed 29 May 2014</i></p> <p>Jane Summerhayes is a qualified solicitor with more than twenty seven years' experience, commencing in private practice, followed by twenty two years in media law at the Australian Broadcasting Corporation and News Corp Australia.</p>
--------------------------------	---

During the year, the role of Company Secretary was held by Louise Bolger from 1 July 2013 to 19 February 2014, by Stephen Mead from 19 February 2014 to 3 March 2014, and Jennifer Martin from 3 March 2014 to 29 May 2014.

Meetings of Directors

The number of meetings of the Board of Directors and of other Committee meetings held during the year ended 30 June 2014, and the numbers of meetings attended by each Director were:

	Full meetings of directors		Meetings of Committees					
			Audit and Risk		Nomination and Remuneration		Independent Board	
	A	B	A	B	A	B	A	B
Director								
Max Moore-Wilton (Chairman)	11	11	*	*	5	5	*	*
Leon Pasternak	11	11	5	5	5	5	2	2
Chris de Boer	11	11	5	5	5	5	2	2
Tony Bell	10	11	5	5	4	5	2	2
Michael Carapiet	11	11	*	*	*	*	*	*
Peter Harvie	11	11	*	*	2	2	*	*
Marina Darling	0	6	0	3	*	*	2	2

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 during the year

Remuneration Report

Letter from Nomination and Remuneration Committee

Dear Shareholders,

On behalf of the Board, I am pleased to present Southern Cross Media Group Limited's ("the Group's") 2014 Remuneration Report. This is my first report as Chair of the Nomination and Remuneration Committee ("the Committee") following Tony Bell's retirement from the Board in June 2014. In preparation for this report, we undertook a full review of our remuneration practices, obtained feedback from a representative group of our key stakeholders and took steps to improve our remuneration practices and quality of our disclosures.

The Committee is tasked by the Board to establish appropriate policies and practices which represent the Board's philosophy to remuneration; that of a balance between fair remuneration for skills and expertise with a risk and reward framework that supports long-term sustainability of our business.

Following a vote against adoption of the 2013 Remuneration Report, we sought feedback from key stakeholders and undertook a review of the Group's remuneration practices:

- In order to better understand the reasons for the 'no' vote on the 2013 Remuneration Report, the Chief Executive Officer ("CEO") and I met with the principal institutional proxy advisory firms and we commissioned an investor perception survey, obtaining feedback from current and former shareholders, institutional brokers, sell side brokers and proxy advisors on the existing remuneration framework and disclosure practices.
- We engaged independent remuneration advisors to review our executive incentive plans, as well as conduct market remuneration benchmarking of executive Key Management Personnel ("KMP") against relevant market peers.

Once this comprehensive review was completed we identified changes to better align executive reward with shareholder interests and deliver on the Group's business strategy, and improve the quality of disclosures. The principal changes relate to:

- **Improved disclosure of the remuneration framework:** disclosure in the 2014 Remuneration Report has been improved to ensure shareholders are presented with a clear and comprehensive analysis of executive and Board remuneration. We have explained concerns raised in relation to the 2013 Remuneration Report, expanded the disclosure of short-term incentive ("STI") performance hurdles, providing relative weightings and details of each executive's performance against targets (published retrospectively), and provided details of the Total Shareholder Return ("TSR") comparator group for the long-term incentive ("LTI") plan.
- **STI plan:** commencing 1 July 2014:
 - Better align all executives with the Group's short term objectives and strategy by having a consistent framework for financial and non-financial metrics, and re-weighting financial and non-financial metrics from 70% / 30% to 80% / 20%
 - Changed the Group-wide financial measure for executives to net profit after tax ("NPAT") rather than earnings before interest, tax, depreciation and amortisation ("EBITDA")
- **LTI plan:** commencing 1 July 2014:
 - One consistent plan limited to executive KMP only, with a three-year performance period with no vesting possible before the end of the performance period
 - Introduced an additional performance measure, with a TSR (50%) and Earnings Per Share ("EPS") (50%) performance hurdle applying to awards

Remuneration Report (continued)

Letter from Nomination and Remuneration Committee (continued)

- **Board and executive remuneration:** we will conduct regular and independent benchmarking to ensure remuneration of these key roles meets shareholder expectations and is market competitive. There were no changes to Non-Executive Director ("NED") fees or the CEO's remuneration package in FY14, and no changes to the potential quantum of remuneration are proposed for FY15.

In relation to the 2014 financial year, the Group achieved over 90% of budgeted EBITDA and limited STI payments to certain KMP to reflect this level of performance. At 1 July 2014, no LTI tranches vested, and during the year only Tranche 3 of the FY11 LTI plan vested, with 76.2% vesting at 1 July 2013. Further detail on the STI and LTI outcomes for FY14 are set out in section 5 of this Remuneration Report.

I would like to take this opportunity to thank Tony Bell and Marina Darling for their contributions to the Group which we gratefully recognise. And to respect our former CFO, the late Stephen Kelly who passed away in January 2014, whose efforts and dedication will long bear fruit for the Group, particularly from the refinancing of our debt facilities which he successfully negotiated in his last months with the Group.

The Group remains focused on delivering sustainable value for our shareholders. Ensuring we maintain an executive remuneration framework which aligns with this objective and supports our business strategy continues to be a key priority for the Board. The Board recognises it is our responsibility to maintain shareholder confidence in our leadership of the Group and our remuneration practices, and to this end we value your feedback and look forward to welcoming you to our 2014 Annual General Meeting (AGM).

Yours faithfully,



Leon Pasternak

Chairman of the Nomination and Remuneration Committee

Contents

1. Introduction
2. Key Management Personnel disclosed in this report
3. Remuneration governance
4. Executive remuneration policy and framework
5. Remuneration and Group performance
6. Details of executive remuneration
7. Executive service agreements
8. Non-Executive Director fee policy
9. Voting and comments made at the Group's 2013 AGM
10. Details of share based payments
11. Directors' and Executives' holdings of shares
12. Other remuneration information
13. Non-audit services
14. Rounding of amounts in the Directors' Report and the Financial Report
15. Auditor's independence declaration

1. Introduction

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

2. Key management personnel disclosed in this report

The KMP covered in this Remuneration Report are those people having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The table below outlines the KMP at any time during the financial year, and unless otherwise indicated, were KMP for the entire year.

Name	Role
Non-Executive Directors (see pages 23-25 for details about each NED)	
Max Moore-Wilton	Non-Executive Director (Chairman)
Leon Pasternak	Non-Executive Director (Deputy Chairman)
Chris de Boer	Non-Executive Director
Tony Bell	Non-Executive Director (resigned 30 June 2014)
Michael Carapiet	Non-Executive Director
Peter Harvie	Non-Executive Director
Marina Darling	Non-Executive Director (resigned 16 January 2014)
Executives	
Rhys Holleran	Chief Executive Officer ("CEO")
Peter Lewis	Chief Financial Officer ("CFO") (appointed 16 June 2014)
Stephen Kelly	Chief Financial Officer (ceased 19 January 2014)
Guy Dobson	Chief Content Officer
Craig Bruce	Head of Content
Andrea Ingham	National Sales Director
Clive Dickens	Director of Digital & Innovation

Changes since the end of the reporting period

Peter Lewis resigned from the position of CFO, effective 30 July 2014. The Group announced the resignation of Peter Lewis in an ASX announcement made on 17 July 2014. The Group announced on 18 August 2014 that Nick McKechnie has been appointed to the position of CFO commencing 8 September 2014. In the interim, the functions of the CFO are being performed by the CEO and other senior members of the finance team.

At the Board meeting held on 19 August 2014, the Directors resolved to appoint three new Directors to the Board commencing 1 September 2014. The new Directors are Rob Murray, Kathy Gramp and Glen Boreham who will bring strong and relevant skills to the Board.

3. Remuneration governance

The Board has established a Nomination and Remuneration Committee ("the Committee"). It is responsible for making recommendations on remuneration matters to the Board on:

- The over-arching executive remuneration framework
- Operation of the incentive plans which apply to the CEO and CFO, including the quantum of STI paid to the CEO and CFO for achievement against Key Performance Indicators ("KPIs") and performance hurdles
- Remuneration levels of CEO and CFO
- NED fees

The CEO is responsible for the management of remuneration levels and incentive plans for senior executives. Refer to page 32 for details.

The Committee's objective is to ensure remuneration policies and structures are fair, competitive and aligned with the long-term interests of the Group. Ernst & Young ("EY") was engaged by the Committee as an independent remuneration advisor to assist with remuneration benchmarking and an incentive plan review.

EY's terms of engagement include specific measures designed to ensure the independence of the advice provided. EY must maintain independence from management, and any advice regarding KMP remuneration must be provided directly to the Committee. The Committee recognises that to effectively perform its role, it is necessary for EY to interact with management to obtain relevant information and work on approved matters from time-to-time. To ensure EY remains independent, members of management are precluded from requesting services which would be considered a remuneration recommendation as defined by the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011*.

No remuneration recommendation was provided by EY or any other external advisors during the 2014 financial year.

In order to assess the performance of the Group's Long Term Incentive plans, the Committee has engaged Deloitte Touche Tohmatsu ("Deloitte") to prepare a report at each vesting date to determine the Group's Total Shareholder Return ("TSR") Ranking within the comparator group as defined in each of the Long-Term Incentive Plans.

The Corporate Governance Statement provides further information on the role of the Committee.

4. Executive remuneration policy and framework

The objective of the Group's executive reward framework is to ensure remuneration is reasonable for skills and expertise, and reward for performance is competitive and appropriate for the results. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and is informed by market practice for delivery of reward. The Board aims for the executive reward framework to satisfy the following key criteria:

- Market competitive and reasonable
- Acceptable to shareholders and aligned to shareholders' interests
- Linked to Group performance
- Transparency regarding reward outcomes

The framework provides a mix of fixed and variable remuneration consisting of a blend of short and long-term incentives. More senior roles in the organisation have a greater weighting towards variable remuneration, compared to more junior roles.

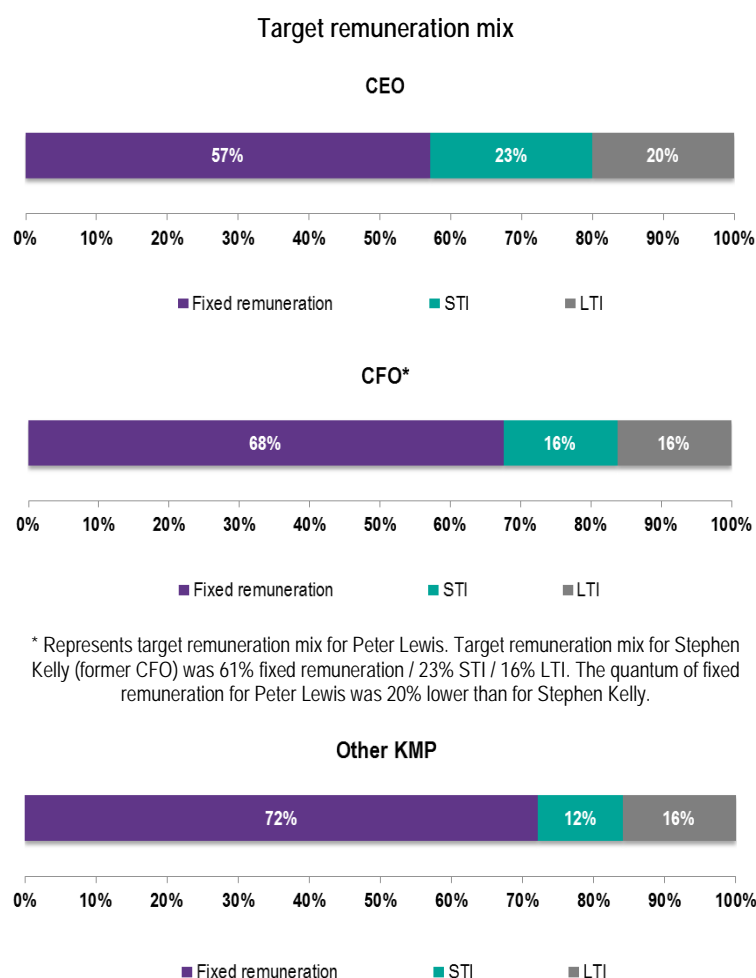
The executive remuneration framework currently has the following components:

- Fixed remuneration – comprising base pay, benefits and superannuation
- STI
- LTI

(i) Executive remuneration mix and positioning policy

Remuneration mix

To ensure that executive remuneration is aligned to Group performance, a portion of the executives' target remuneration is "at risk". The approximate target remuneration mix for the 2014 financial year was:



Subsequent to the review of executive remuneration conducted by the Committee during FY14, the Group's policy remuneration mix for executives is:

	Fixed remuneration (% of target total remuneration)	STI (% of target total remuneration)	LTI (% of target total remuneration)
CEO	50-60%	20-25%	20-25%
CFO	60-70%	15-20%	15-20%
Other executives	60-70%	20-30%	10-20%

In making this determination, the Committee had regard to fixed remuneration and target total remuneration compared to two comparator groups selected based on company size considerations; one comparator group comprised companies with a similar market capitalisation to the Group and the other comparator group comprised companies with both a similar market capitalisation and revenue to the Group.

Based on the findings of the benchmarking exercise, the Committee believes the Group's remuneration mix policy is broadly aligned with companies of similar size in the market, with a slightly heavier weighting toward fixed remuneration.

While the Committee intends to move over time towards a remuneration mix that is more closely aligned with market peers, current contractual arrangements prevent immediate amendments to fixed remuneration and the Committee does not believe increases in STI and / or LTI (which would correspondingly lower the weighting of fixed remuneration) are commercially viable at this time nor in the best interests of shareholders.

Remuneration positioning

The Group's policy is to position fixed remuneration at the median and total target remuneration between the 25th percentile and the median of the relevant comparator group. The Board believes this current positioning is appropriate given the need to provide a remuneration reward framework which is market competitive and reasonable whilst being acceptable to shareholders.

(ii) Fixed remuneration

Fixed remuneration is structured as a total employment package which may be delivered as a combination of base pay (i.e. cash), superannuation and prescribed non-financial benefits at the executive's discretion.

Superannuation is in line with *Superannuation Guarantee Charge* ("SGC") legislation.

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

There are no guaranteed fixed remuneration increases included in any executive contracts.

Changes during the year

Following the annual review in FY14, the Committee applied a fixed remuneration increase to only one executive KMP role - the National Sales Director. The incumbent's fixed remuneration was increased from \$350,000 to \$417,775 a 19% increase, effective 1 May 2014, to reflect internal relativities and competitive market remuneration for this role.

The fixed remuneration of the replacement CFO was \$617,775, reduced from \$775,000 (from former CFO), representing a decrease of approximately 20%.

(iii) Short-term incentives

The table below outlines details of the STI plan.

What is the STI?	The STI is an annual "at risk" bonus and is designed to reward executives for meeting or exceeding financial and non-financial objectives.
How is the STI delivered?	STI is awarded in cash, and is not subject to deferral. Given the executives' relatively modest potential STI quantum, the Committee does not currently believe it is appropriate to introduce STI deferral for executive KMP. To provide a fair and competitive executive remuneration package, introducing STI deferral would require an increase in STI opportunity (with a corresponding increase in target total remuneration) which the Committee does not believe would be appropriate at this time.
What are the STI target opportunities?	The CEO has a target STI opportunity of 40% of fixed remuneration, CFO of 24% of fixed remuneration and other executives have an STI opportunity of approximately 17% of fixed remuneration.

What are the performance measures?

FY14

Each year, the Committee sets the KPIs for the CEO and CFO for the financial year, with a view to directly aligning the individuals' annual incentive opportunity to execution of the Group's business strategy.

The CEO determines the KPIs for the other senior executives which are aligned to delivery of the strategy and performance of the business. Payments under the STI are determined by performance against KPIs.

For FY14, STI performance measures and weightings vary by executive depending on individual accountabilities. The metrics and their rationale for selection are as follows:

Metric	Rationale for selection
Financial	
EBITDA/EBIT compared with budget	Key financial metric for the Group that drives financial results and encourages senior executives to work together for the overall benefit of the Group
Sales-related targets	Focuses senior executives on achieving sustainable financial performance from growing top line revenue
Ratings targets	Revenue performance of the Group is largely dependent on ratings on both radio and television and drives the ability for the Group to deliver financial results
Growth in new business lines	Focuses senior executives on developing new revenue streams that complement existing business operations and lead to growth opportunities for the Group
Non-financial	
Strategic	Focuses senior executives on strategic initiatives (such as network strategy and diversification of revenue streams) that deliver growth, improved business performance and shareholder value
Operational	Key operational deliverables align management to the strategic initiatives of the Group with a focus on long term sustainability of earnings
People	Effective leadership and talent development and retention are critical to the success of the business and underpin financial performance
External relations	Development of close and constructive relationships with key stakeholders strengthens our brand and fosters long term relationships that assist in achieving financial and non-financial objectives and enhancing shareholder value

CEO and CFO

- Weighted 70% financial metric (actual EBITDA against budget) and 30% non-financial metrics
- The payout schedule against the financial metric is outlined in the table below:

% of budgeted EBITDA achieved	Percentage of financial component payable (i.e. 70% of total STI)
<90%	0%
90%	50%
90% to 100%	Straight line between 50% and 100%
100%	100%
100% to 120%	Straight line between 100% and 115%
120%	115%

- No upside is available against the non-financial metrics.

Other Executives

- Weighted between 80% to 100% towards financial metrics and 0% to 20% towards non-financial metrics
- No upside is available against either the financial or non-financial metrics

FY15

In response to shareholder feedback and to better align STI metrics to the financial metrics in the Group's business plan, from FY15 the Group wide financial metric for the STI will be changed from EBITDA to NPAT. For the CEO and CFO, this will be the only financial metric. Certain executives will also be assessed against other financial metrics as outlined above.

The weighting between financial and non-financial metrics will be consistently applied across all executives - 80% financial and 20% non-financial.

Upside against the financial metric will be available for all executives such that participants can receive up to 115% of their target STI opportunity for stretch performance against the financial metric.

Is there an STI gateway?

FY14

For the following executives a financial gateway applies where no STI is payable if the gateway is not met (even if non-financial KPIs are achieved):

- CEO and CFO: 90% of budgeted Group EBITDA
- Chief Content Officer: 100% of budgeted EBIT (based on legacy arrangements from previous Austereo agreement)
- National Sales Director: 90% of Group sales budget

FY15

Financial gateway of 90% of budgeted financial metric must be achieved before any STI is payable.

How is performance assessed?

CEO and CFO

At the end of the financial year the Committee assesses the actual performance of the Group and the CEO and CFO against the KPIs and recommends the STI quantum 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.

Other Executives

At the end of the financial year the CEO assesses the actual performance of the Group and the executives against the KPIs and determines the STI quantum to be paid to the individuals. The CEO provides these assessments to the Committee annually.

The Committee and the CEO have the discretion to take into account any significant non-cash items (for example impairment losses), acquisitions and divestments and one-off events/abnormal/non-recurring items in determining whether the financial KPIs have been achieved, where it is considered appropriate for linking remuneration reward to company performance.

Other features

Clawback

There are currently no clawback clauses for STI payments. The Group is considering whether to introduce a clawback policy in FY15.

Change of Control

In the event of a change of control before the STI payment date, the STI payment is pro-rated for time and performance, subject to Board discretion.

Minimum Employment Period

Participants must be employed for at least three months in the performance period to be entitled to receive an STI payment.

Termination

For "Bad Leavers" (defined by the Group as resignation or termination for cause), in the event of resignation the STI payment is forfeited unless otherwise determined by the CEO or the Board as appropriate.

For cessation of employment for reasons other than those specified for "Bad Leavers", the STI payment is pro-rated for time and performance, unless otherwise determined by the Board.

(iv) Long-term incentives

What is the LTI?

The Board approved the introduction of the LTI plan, which commenced on 1 July 2010, which provided for the CEO and other executives to receive grants of performance rights ("Rights") over ordinary shares, for nil consideration. The LTI is designed to reward executives for meeting or exceeding TSR performance hurdles over at most a three or four year period (depending on the executive).

What is the performance and vesting period?

FY14

The performance and vesting period varies depending on the executive, as detailed in the table below.

Year	3 year plan ¹	4 year plan
1 st Year	1/3 vesting ²	Nil
2 nd Year	1/3 vesting ²	1/3 vesting ²
3 rd Year	1/3 vesting ²	1/3 vesting ²
4 th Year	N/A	1/3 vesting ²

¹ The 3 year plan was in accordance with Stephen Kelly's employment contract. Craig Bruce was included in the 3 year plan given the fixed term nature of his employment contract. All other KMP were on the 4 year plan.

² Subject to performance criteria being met.

FY15

The Group will introduce a revised LTI plan commencing on 1 July 2014, applying to executive KMP only, which will have a three-year performance period with a single-point vesting schedule (i.e., 100% of Rights vest at the end of the performance period, subject to performance criteria being met).

What are the performance measures and hurdles?

FY14

Performance against a relative TSR hurdle determines vesting. TSR was selected as it provides a comparison of relative shareholder returns that is relevant to most of the Group's investors.

The relative TSR performance hurdle takes into account share price appreciation plus reinvested dividends, expressed as a percentage of investment and adjusted for changes in the Group's capital structure.

In order for Rights to vest and convert to shares, the Group's TSR over the performance period must be at or above the 51st percentile against the constituents of the ASX Consumer Discretionary Index, excluding News Corporation at each grant date.

The comparator group was selected as it represents a range of alternate companies that shareholders could invest in while maintaining portfolio sector balance. News Corporation has been excluded from each comparative group given the extent of its international business operations and exposure to the declining print business.

TSR Performance	% of Allocation that vests
Below 51 st percentile	Nil
51 st percentile	50%
51 st to 75 th percentile	Straight line vesting between 50% and 100%
At or above 75 th percentile	100%

There is no re-testing of performance hurdles under the LTI plan.

FY15

In response to shareholder concerns regarding the use of a single LTI performance measure and to more accurately capture the Group's overall financial performance, the Group will introduce an additional performance measure based on growth in EPS to supplement the relative TSR performance measure.

The weighting of the two measures will be 50% relative TSR and 50% EPS. Further details regarding the EPS performance measure (i.e., EPS measurement approach and targets) will be provided in the 2014 Notice of AGM.

How is performance assessed?

The Group engaged Deloitte to prepare a report to determine the Group's TSR Ranking within the comparator group (being the ASX Consumer Discretionary Index, excluding News Corporation at each grant date) as defined in each of the Long-Term Incentive Plans at each vesting date.

Other features

Change of Control

If a Change of Control event occurs in relation to the Group, then:

- the Rights which have not been exercised at the time of the announcement to the ASX of the Change of Control event may vest pro-rata for time and performance, subject to Board discretion; and

- any Plan Shares held by the Trust on behalf of a Participant will immediately vest in the relevant participant upon the announcement to ASX of the Change of Control event.

Termination

For "Bad Leavers" (defined by the Group as resignation or termination for cause), any unvested Rights are forfeited, unless otherwise determined by the Board.

For cessation of employment for reasons other than those specified for "Bad Leavers", the Board has discretion to vest any unvested Rights on a pro-rata basis taking into account time and the current level of performance against the performance hurdle, or to hold the LTI award to be tested against performance hurdles at the end of the original vesting / performance period.

Treatment of dividends

There are no dividends payable to participants on unvested Rights. Once the Rights have vested to fully paid ordinary shares, the participant will be entitled to dividends on these shares.

Sourcing of shares

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

(v) Share trading policy

The Group securities trading policy applies to all NEDs and executives, which is available in the Southern Cross Austereo website, www.southerncrossaustereo.com.au. The policy prohibits employees from dealing in the Company's securities while in possession of material non-public information relevant to the entity.

Executives must not enter into any hedging arrangements over unvested performance rights under the Group's performance rights plan. The company would consider a breach of this policy as gross misconduct, which may lead to disciplinary action and potentially dismissal.

5. Remuneration and Group performance

A key objective of the executive remuneration policy is to link a proportion of executive remuneration to the performance of the Group, with an emphasis on the creation of sustainable value for shareholders.

(i) Group performance

Financial performance from continuing operations for the past five years is indicated by the following table:

	30 June 2014	30 June 2013	30 June 2012	Restated 30 June 2011*	30 June 2010
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	640,834	653,114	687,313	492,811	406,909
EBITDA	179,705	210,991	225,780	161,030	82,376
EBITDA %	28.0%	32.3%	32.8%	32.7%	20.2%
Net profit before tax	(279,577)	133,269	126,282	87,232	24,185
Net profit after tax	(296,008)	96,111	95,022	64,060	19,903
NPAT %	(46.2%)	14.7%	13.8%	13.0%	4.9%

	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
Opening share price	\$1.43	\$1.20	\$1.55	\$1.64	\$1.32
Closing share price	\$1.07	\$1.43	\$1.20	\$1.55	\$1.64
Dividend/Distribution	7.5c	9.0c	10.0c	10.0c	9.7c

* Restatement for finalisation of allocation of purchase price for Austereo acquisition in accordance with Accounting Standards.

(ii) STI outcomes

The table below outlines the weighting of financial and non-financial KPIs in relation to each executive KMP for FY14 and the performance achieved.

Executive	Financial			Non-financial		
	Weighting	Measure	Performance	Weighting	Measure(s)	Performance
Rhys Holleran	70%	- EBITDA against budget	90.2% of budgeted EBITDA ²	30%	Mixture of Strategic, Operational, People and External Relations relevant to the executive	38% achievement of measure CEO's management in the last 12 months of external relationships and development of cultural change education and employee engagement which is critical to the company's management of its people.
Stephen Kelly	70%	- EBITDA against budget	96.6% of budgeted EBITDA to January 2014 ¹	30%	Mixture of Strategic, Operational, People and External Relations relevant to the executive	58% achievement of measure CFO's management of investor relations, development of strategic financial plans and execution of transformational projects was critical to the success of the company during the period.
Guy Dobson	100%	- Group EBIT against Budget - KPIs relating to ratings growth, growth of consultancy business overseas and growth of integrated product offerings	Not achieved as financial metric gateway is 100% and KPIs not achieved.	0%	n/a	n/a
Craig Bruce	100%	- Ratings targets for the calendar year, assessed and paid on a quarterly basis	Ratings targets are set quarterly, with 100% of targets achieved in Q1 and Q2, and 0% of targets achieved in Q3 and Q4.	0%	n/a	n/a
Andrea Ingham	80%	- Group sales budget - Radio market share and TV power ratio targets	Not achieved	20%	Mixture of Strategic, Operational, People and External Relations relevant to the executive	Not achieved
Clive Dickens	100%	- Digital and Group KPIs	100% of Digital and Group KPI's achieved	0%	n/a	n/a

¹ Stephen Kelly passed away on 19 January 2014. Entitlement to bonus was determined on a pro rata basis to 31 January 2014.

² The Committee determined it was appropriate to exclude the impact of the significant item, being the recognition of a provision for onerous contract (refer note 3) from EBITDA as the recognition of the provision was not part of the operational performance of the business during the year, it resulted from industry specific factors rather than company specific factors (predominantly the take up of digital radio), and was not budgeted for.

STI achieved

The following table outlines the percentage of target STI achieved (and forfeited) in relation to financial and non-financial KPIs, and the total STI awarded, for each executive KMP for FY14.

	STI On Target Opportunity \$	Weighting %	Financial		Non-financial			Total
			Achieved %	Forfeited %	Weighting %	Achieved %	Forfeited %	STI awarded \$
Rhys Holleran	400,000	70%	51%	49%	30%	38%	62%	189,000
Stephen Kelly ¹	300,000	70%	48%	52%	30%	58%	42%	154,000
Peter Lewis ²	150,000	70%	-	-	30%	-	-	-
Guy Dobson	100,000	100%	0%	100%	0%	n/a	n/a	-
Craig Bruce	60,000	100%	50%	50%	0%	n/a	n/a	30,000
Andrea Ingham	100,000	80%	0%	100%	20%	0%	100%	-
Clive Dickens	64,000	100%	100%	0%	0%	n/a	n/a	64,000

¹ Stephen Kelly passed away on 19 January 2014. Entitlement to bonus was determined on a pro rata basis to 31 January 2014. The Committee determined it was appropriate to assess the financial metric of his bonus based on the financial metric percentage achieved at 31 December 2013, calculated on a pro rata basis to 31 January 2014.

² Was not employed by the company for a minimum of 3 months, therefore was not entitled to any STI payment.

Discretionary bonus

On completion of the successful refinancing of the Group's debt facility for 5 years in December 2013, the Board awarded Stephen Kelly a \$100,000 discretionary bonus to recognise the significant contribution made by Stephen Kelly over an extended period and the related shareholder value that the refinancing would deliver. The \$100,000 discretionary bonus was paid in addition to the \$154,000 total STI awarded shown in the above table and was paid in January 2014 prior to his passing.

LTI vesting outcomes – 1 July 2014 Vesting date

The table below details TSR performance against companies in the comparator group and the extent to which the LTI plan grants vested on 1 July 2014 for the 2014 financial year.

Tranche	Percentile ranking	% vested
FY11 – Tranche 4	47.3	0%
FY12 – Tranche 3	39.1	0%
FY13 – Tranche 2	28.0	0%
FY14 – Tranche 1	13.8	0%

LTI vesting outcomes – 1 July 2013 Vesting date

The table below details TSR performance against companies in the comparator group and the extent to which the LTI plan grants vested on 1 July 2014 for the 2013 financial year.

Tranche	Percentile ranking	% vested
FY11 – Tranche 3	63.1	76.2%
FY12 – Tranche 2	47.8	0%
FY13 – Tranche 1	40.0	0%

For further information refer to pages 44-47.

The CFO, Stephen Kelly, passed away in January 2014. The plan rules state that upon death of a participant, the Committee may determine in its absolute discretion to either vest all of the shares, vest part of the shares or vest no shares. The Nomination and Remuneration Committee determined it was appropriate to assess the LTI on the basis of pro-rata for time and the current level of performance against the performance hurdle.

This resulted in a total of 147,186 out of a possible 361,308 shares vesting to the Estate of Stephen Kelly. These shares were issued on 25 March 2014.

6. Details of executive remuneration

The tables below outline statutory remuneration of executives who were KMP in FY14 and FY13 in accordance with statutory rules and applicable Accounting Standards.

2014	Short-term employee benefits			Post-employment benefits	Long-term benefits		Share-based payments	
Name	Cash salary and fees	Cash bonus	Non-monetary benefits	Super contribution	Other long-term benefits ³	Termination	Performance rights	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Executives								
Rhys Holleran	975,000	189,000	35,933	25,000	62,855	-	349,965	1,637,753
Stephen Kelly ¹	437,500	254,000	3,097	14,583	(91,667)	74,296	49,995	741,804
Peter Lewis ²	21,825	-	-	2,019	-	-	-	23,844
Guy Dobson	633,530	-	14,042	17,775	7,600	-	90,269	763,216
Craig Bruce	523,530	30,000	2,739	17,775	14,019	-	124,988	713,051
Andrea Ingham	340,482	-	14,042	17,775	24,135	-	72,216	468,650
Clive Dickens	357,500	64,000	14,042	25,000	(49,560)	-	72,216	483,198
Total executive	3,289,367	537,000	83,895	119,927	(32,618)	74,296	759,649	4,831,516

¹ Remuneration disclosed is for the period 1 July 2013 until 19 January 2014.

² Remuneration disclosed is for the period 16 June 2014 to 30 June 2014.

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

2013	Short-term employee benefits			Post-employment benefits	Long-term benefits		Share-based payments	
Name	Cash salary and fees	Cash bonus	Non-monetary benefits	Super contribution	Other long-term benefits ³	Termination	Performance rights	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Executives								
Rhys Holleran	768,750	205,500	21,691	25,000	318,634	-	320,801	1,660,376
Stephen Kelly	582,250	137,000	5,204	24,000	75,046	-	199,980	1,023,480
Guy Dobson	824,125	-	32,392	16,470	(124,524)	-	54,161	802,624
Craig Bruce	508,530	60,000	5,144	16,470	1,274	-	111,100	702,518
Cathy Thomas ¹	247,059	-	5,972	11,411	(5,202)	-	-	259,240
Andrea Ingham ²	138,971	8,000	5,601	8,235	10,373	-	36,108	207,288
Total executive	3,069,685	410,500	76,004	101,586	275,601	-	722,150	4,655,526

¹ Remuneration disclosed is for the period 1 July 2012 to 1 February 2013 when Cathy Thomas was National Sales Director. Mrs Thomas took the position of General Manager – Melbourne on 1 February 2013 and ceased being Key Management Personnel.

² Remuneration disclosed is for the period 1 February 2013 to 30 June 2013 after Andrea Ingham was appointed National Sales Director.

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

6. Details of remuneration (continued)

	Fixed Remuneration		At risk - STI		At risk - LTI	
	2014	2013	2014	2013	2014	2013
Executives						
Rhys Holleran	67%	68%	12%	12%	21%	20%
Stephen Kelly	59%	67%	34%	13%	7%	20%
Peter Lewis	100%	n/a	0%	n/a	0%	n/a
Guy Dobson	88%	93%	0%	0%	12%	7%
Craig Bruce	78%	76%	4%	9%	18%	15%
Andrea Ingham	85%	79%	0%	4%	15%	17%
Clive Dickens	72%	100%	13%	0%	15%	0%

7. Executive service agreements

Remuneration and other terms of employment for the CEO and the other executives are formalised in service agreements. Each of these agreements provide for the provision of base salary, 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) \$'000	LTI value \$'000	Termination notice period
Rhys Holleran	Permanent	1,000	400	350	12 mths either party
Guy Dobson	Permanent	650	100	100	6 mths either party
Craig Bruce	Fixed Term to 31 December 2014	541	60	125	12 mths either party during the term
Andrea Ingham	Permanent	418	100	100	12 weeks either party
Clive Dickens	Permanent	381	64	100	6 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.

8. Non-Executive Director fee policy

(i) NED fee policy

On appointment to the Board, all NEDs 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.

Fees and payments to NEDs reflect the demands which are made on and the responsibilities of the NEDs. NED fees are reviewed annually by the Board. The Board has also considered the advice of independent remuneration advisors to ensure NED fees and payments are appropriate and in line with the market. The Chairman and Deputy Chairman's fees are determined independently to the fees of other NEDs based on comparative roles in the market. Neither the Chairman or Deputy Chairman is present at any discussions relating to determination of their own fees. NEDs do not receive performance-based pay and are not entitled to the Company's shares, Rights or to retirement benefits as part of their fees.

The maximum annual aggregate NED fee pool is \$1,500,000 and was approved by shareholders at the AGM on 25 October 2011.

The NED fees were last changed with effect from 1 July 2011. Chairman and Deputy Chairman fees are inclusive of committee fees while other NEDs who chair or are members of a committee receive additional committee fees.

No changes to NED fees or the aggregate NED fee pool are proposed for FY15. The statutory superannuation increase does not impact NED fees as this is absorbed by the individual.

The following NED fees (inclusive of superannuation) have applied in the years ended 30 June 2014 and 30 June 2013 for the Group:

	FY14	FY13
	\$	\$
Base fees – Annual		
Chairman ¹	250,000	250,000
Deputy Chairman ¹	161,500	161,500
Other Non-Executive Directors	125,000	125,000
Committee fees – Annual		
Audit Committee – Chairman	21,000	21,000
Audit Committee – member	14,000	14,000
Nomination and Remuneration Committee - Chairman	15,000	15,000
Nomination and Remuneration Committee - member	10,000	10,000

¹ The Chairman and Deputy Chairman do not receive any additional fees for committee work.

(ii) Details of NED fees

The tables below outline statutory remuneration of NEDs for FY14 and FY13 in accordance with statutory rules and applicable Accounting Standards.

2014	Short-term employee benefits	Post-employment benefits	
Name	Cash salary and fees	Super contributions	Total
Non-Executive Directors	\$	\$	\$
Max Moore-Wilton (Chairman)	232,225	17,775	250,000
Leon Pasternak	147,828	13,672	161,500
Chris de Boer	142,792	13,208	156,000
Tony Bell	154,000	-	154,000
Michael Carapiet	125,000	-	125,000
Peter Harvie	123,568	11,432	135,000
Marina Darling ¹	-	-	-
Total	925,413	56,087	981,500

¹ Marina Darling was granted a leave of absence from the Board due to personal reasons from 1 July 2013 to 16 January 2014. Marina resigned on 16 January 2014.

2013	Short-term employee benefits	Post-employment benefits	
Name	Cash salary and fees	Super contributions	Total
Non-Executive Directors	\$	\$	\$
Max Moore-Wilton (Chairman)	240,400	9,600	250,000
Leon Pasternak	149,364	12,136	161,500
Chris de Boer	144,280	11,720	156,000
Tony Bell	154,000	-	154,000
Michael Carapiet	125,000	-	125,000
Peter Harvie	135,000	-	135,000
Marina Darling	127,524	11,476	139,000
Total	1,075,568	44,932	1,120,500

NED's did not receive long term benefits or share based payments in 2013 or 2014.

9. Voting and comments made at the Company's 2013 AGM

At the Company's AGM in October 2013, the Group received its first strike against its Remuneration Report. The first-strike occurs where the Remuneration Report receives a 'no' vote of 25% or more at the AGM. If this happens, the Group's next subsequent Remuneration Report must explain whether, and the extent to which shareholder concerns has been taken into account.

Consequently, the Group undertook a full review of remuneration practices, obtained feedback from key stakeholders and took steps to improve remuneration practices and quality of our disclosures. The steps taken by the Board are set out on pages 23-24 in the Letter from the Chairman of the Nomination and Remuneration Committee.

The table below provides a summary of the key areas of concern in relation to the 2013 financial year, and the changes made by the Group to address shareholder concerns.

Area of concern	Changes and additional disclosures made by the Group
Fixed remuneration	
Increase in executive fixed remuneration without adequate explanation of the reason for such increases	<p>Changes to executive fixed remuneration for FY14 have been disclosed on pages 30-31. During the year, only one increase in fixed remuneration for executive KMP occurred.</p> <p>In reviewing executive service contracts in 2014, base salary levels are 2.6% down on 2013 levels, on target STI is 15.6% down on 2013 levels, and LTI value 5.7% down on 2013 levels. This excludes Clive Dickens who became a KMP on 1 July 2013, bringing the KMP to 6 in 2014 (from 5 in 2013). His remuneration package did not change from the prior year.</p>
Increase in CEO and CFO remuneration in FY13	<p>In FY13, fixed remuneration for Rhys Holleran (CEO) increased from \$725,000 to \$1 million and fixed remuneration for Stephen Kelly (CFO) increased from \$550,000 to \$775,000.</p> <p>The Board determined these increases to be reasonable when considering the median fixed remuneration of listed companies of a similar size to the Group.</p> <p>The Board also determined the increases to be appropriate in light of significant structural changes in the media industry and to address the need to retain the CEO and CFO in light of third party offers. Remuneration increases were appropriate as remuneration was below the median of the comparator group used for remuneration benchmarking, and to recognise the additional workload brought on in dealing with regulators, customers and staff in light of a challenging year for the Group's operations.</p>
STI	
Increase in STI for CEO and CFO without adequate explanation of the reason for such increases	<p>In FY13, the STI entitlement for the CEO and CFO increased as a result of fixed remuneration increases.</p> <p>No increase in CEO or CFO target STI opportunity occurred for FY14 or was proposed for FY15.</p>
STI award outcomes for the CEO in FY13	<p>To address shareholder concerns regarding disclosure of STI outcomes, this year's Remuneration Report provides detail on pages 37-38.</p> <p>The rationale for the FY13 STI award to the CEO is as follows:</p> <ul style="list-style-type: none"> - Financial: the financial gateway (90% of the agreed budget) was met in FY13. Accordingly, the CEO achieved a portion of the financial component.

Area of concern	Changes and additional disclosures made by the Group
	<p>- Non-financial: assessment of the non-financial component is based on the executive's contribution to strategy, operational management, managing people, external relations and promoting a favourable culture for achievement.</p> <p>The CEO developed and successfully implemented a detailed management plan to respond to continuing advertising, talent, regulatory and legal challenges arising from the previous year. The CEO professionally, efficiently and where appropriate, compassionately executed the plan and has ensured the Group has now addressed and recovered from all advertising, talent, regulatory and legal challenges.</p> <p>For these reasons the Board awarded the CEO the full component of the non-financial STI award in FY13.</p>
Weighting of financial vs non-financial metrics	From 1 July 2014, STI will be re-weighted to 80% financial and 20% non-financial for all executives.
The STI financial measure EBITDA does not reflect shareholder outcomes	From 1 July 2014, STI financial metric will be NPAT for the Group wide metric, replacing the EBITDA measure, to better align executives with shareholder outcomes.
LTI	
LTI vesting period allows vesting prior to three years	From 1 July 2014, the performance period will be three-years with no vesting possible before the end of the three-year period.
Single performance measure on LTI plan	From 1 July 2014, new LTI awards will be subject to an additional performance measure such that both relative TSR (50%) and EPS (50%) will apply to determine vesting.
Disclosure	
STI plan performance measures and hurdles	<p>Details disclosed of:</p> <ul style="list-style-type: none"> ▪ Performance measurement approach (pages 33-35) ▪ Actual hurdles (on a retrospective basis) (pages 33-35) ▪ Degree of achievement of both financial and non-financial metrics (pages 37-38) ▪ STI achieved / forfeited (pages 37-38)
LTI TSR comparator group not identified	<p>The comparator group is the ASX Consumer Discretionary Index excluding News Corporation at each grant date. News Corporation has been excluded from each comparator group given its level of international dealings and exposure to the declining print business.</p> <p>The comparator group was selected as it represents a range of alternate companies that shareholders could invest in while maintaining portfolio sector balance.</p> <p>Disclosed on page 35.</p>
Treatment of LTI awards under cessation of employment and	Disclosed on page 36.

Area of concern	Changes and additional disclosures made by the Group
change of control circumstances	
Treatment of dividends on unvested awards in LTI plan	There are no dividends payable to participants on unvested Rights. Once the Rights have vested to fully paid ordinary shares, the participant will be entitled to dividends on these shares. Disclosed on page 36.
Shareholding guidelines for executives	The Group does not have an executive shareholding requirement.
Group performance versus KMP remuneration outcomes	Disclosed on pages 36-38.
NEDs	
NED fee policy is set higher than comparable companies based on sector and market capitalisation	No NED fees were increased for FY14 or are proposed for FY15
Independence of directors	Additional disclosures have been included on pages 4 and 6-8 of the Corporate Governance Statement.

10. Details of share based payments

(i) Share based payments

During the year the following share-based payment arrangements were in existence. Unvested performance rights granted under the plan carry no dividend or voting rights.

Eligibility and proportion of performance rights that vest is dependent on the Group's TSR performance in comparison to its performance hurdles, which is outlined below. For each plan, the Comparator Group is the ASX Consumer Discretionary Index excluding News Corporation at the grant date. Where necessary, Deloitte have made adjustments to the historical data to reflect all corporate actions during the period including (but not limited to) dividends, rights issues, splits/consolidations, capital returns and share buybacks. These adjustments are made to ensure that the historical price and the current price reflect the same proportion of the company.

FY14 TSR performance – Results

FY14 Rights	Grant date	Expiry date	Fair value at grant date \$	Vesting date	Percentile	% vested
FY14 - Tranche 1	10/01/2014	n/a	1.00	01/07/2014	n/a*	n/a*
FY14 - Tranche 2	10/01/2014	n/a	1.02	01/07/2015	n/a	n/a
FY14 - Tranche 3	10/01/2014	n/a	1.03	01/07/2016	n/a	n/a
FY14 - Tranche 4	10/01/2014	n/a	1.03	01/07/2017	n/a	n/a

* On 1 July 2014, 2013 – Tranche 1 performance rights were assessed and determined to be at the 13.8th percentile, with 0% shares vesting.

FY13 TSR performance – Results

The Group's TSR is compared to the 25 eligible comparator companies over the period 1 July 2012 to 30 June 2013, with a TSR of 21.87% ranks at the 40.0th percentile and 16th overall.

FY13 Rights	Grant date	Expiry date	Fair value at grant date \$	Vesting date	Percentile	% vested
FY13 - Tranche 1	25/10/2012	n/a	0.40	01/07/2013	40.0	0%
FY13 - Tranche 2	25/10/2012	n/a	0.49	01/07/2014	n/a*	n/a*
FY13 - Tranche 3	25/10/2012	n/a	0.53	01/07/2015	n/a	n/a
FY13 - Tranche 4	25/10/2012	n/a	0.54	01/07/2016	n/a	n/a

* On 1 July 2014, 2012 – Tranche 2 performance rights were assessed and determined to be at the 28.0th percentile, with 0% shares vesting.

FY12 TSR performance – Results

The Group's TSR is compared to the 23 eligible comparator companies over the period 1 July 2011 to 30 June 2013, with a TSR of 7.12% ranks at the 47.8th percentile and 13th overall.

FY12 Rights	Grant Date	Expiry Date	Fair value at grant date \$	Vesting date	Percentile	% vested
FY12 - Tranche 1	25/10/2011	n/a	0.51	01/07/2012	49.0	0%
FY12 - Tranche 2	25/10/2011	n/a	0.62	01/07/2013	47.8	0%
FY12 - Tranche 3	25/10/2011	n/a	0.67	01/07/2014	n/a*	n/a*
FY12 - Tranche 4	25/10/2011	n/a	0.68	01/07/2015	n/a	n/a

* On 1 July 2014, 2011 – Tranche 3 performance rights were assessed and determined to be at the 39.1st percentile, with 0% shares vesting.

FY11 TSR performance – Results

The Group's TSR is compared to the 19 eligible comparator companies over the period 26 July 2010 to 30 June 2013, with a TSR of 5.48% ranks at the 63.1st percentile and 8th overall.

FY11 Rights	Grant Date	Expiry Date	Fair value at grant date \$	Vesting date	Percentile	% vested
FY11 - Tranche 1	26/07/2010	n/a	0.86	01/07/2011	60.0	70.0%
FY11 - Tranche 2	26/07/2010	n/a	0.88	01/07/2012	63.1	76.2%
FY11 - Tranche 3	26/07/2010	n/a	0.90	01/07/2013	63.1	76.2%
FY11 - Tranche 4	26/07/2010	n/a	0.90	01/07/2014	n/a*	n/a*

* On 1 July 2014, 2010 – Tranche 4 performance rights were assessed and determined to be at the 47.3rd percentile, with 0% shares vesting.

FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2014

Share-based payments granted to KMP are as follows:

Name	Year of Grant	Vesting Date	No. of Performance Rights Granted	Value of Performance Rights at Grant Date	No. of Performance Rights Vested and Exercised During the Year	Vested and Exercised %	No. of Performance Rights Forfeited During the Year	Value at Date of Forfeiture	Forfeited %	No. of Performance Rights Remaining at Year End
Rhys Holleran	FY14 Plan	01/07/2015	114,368	116,655	-	-	-	-	-	114,368
		01/07/2016	113,257	116,655	-	-	-	-	-	113,257
		01/07/2017	113,257	116,655	-	-	-	-	-	113,257
	FY13 Plan	01/07/2014	238,071	116,655	-	-	-	-	-	238,071
		01/07/2015	220,104	116,655	-	-	-	-	-	220,104
		01/07/2016	216,028	116,655	-	-	-	-	-	216,028
	FY12 Plan	01/07/2013	188,153	116,655	-	0.0%	188,153	116,655	100.0%	-
		01/07/2014	174,112	116,655	-	-	-	-	-	174,112
		01/07/2015	171,551	116,655	-	-	-	-	-	171,551
	FY11 Plan	01/07/2013	129,617	116,655	98,768	76.2%	30,849	27,764	23.8%	-
		01/07/2014	129,617	116,655	-	-	-	-	-	129,617
Stephen Kelly	FY13 Plan	01/07/2013	166,650	66,660	-	0.0%	166,650	66,660	100.0%	-
		01/07/2014	136,041	66,660	63,259	46.5%	72,782	35,663	53.5%	-
		01/07/2015	125,773	66,660	38,991	31.0%	86,784	45,995	69.0%	-
	FY12 Plan	01/07/2013	107,516	66,660	-	0.0%	107,515	66,660	100.0%	-
		01/07/2014	99,493	66,660	44,936	45.2%	54,557	36,553	54.8%	-
	FY11 Plan	01/07/2013	74,066	66,660	56,439	76.2%	17,626	15,865	23.8%	-
Guy Dobson	FY14 Plan	01/07/2015	32,676	33,330	-	-	-	-	-	32,676
		01/07/2016	32,359	33,330	-	-	-	-	-	32,359
		01/07/2017	32,359	33,330	-	-	-	-	-	32,359
	FY13 Plan	01/07/2014	102,031	49,995	-	-	-	-	-	102,031
		01/07/2015	94,330	49,995	-	-	-	-	-	94,330
		01/07/2016	92,583	49,995	-	-	-	-	-	92,583
Craig Bruce	FY14 Plan	01/07/2014	41,663	41,663	-	-	-	-	-	41,663
		01/07/2015	40,846	41,663	-	-	-	-	-	40,846
		01/07/2016	40,449	41,663	-	-	-	-	-	40,449
	FY13 Plan	01/07/2013	104,156	41,663	-	0.0%	104,156	41,663	100.0%	-
		01/07/2014	85,026	41,663	-	-	-	-	-	85,026
		01/07/2015	78,608	41,663	-	-	-	-	-	78,608
	FY12 Plan	01/07/2013	67,198	41,663	-	0.0%	67,198	41,663	100.0%	-
		01/07/2014	62,183	41,663	-	-	-	-	-	62,183
Andrea Ingham	FY14 Plan	01/07/2015	32,676	33,330	-	-	-	-	-	32,676
		01/07/2016	32,359	33,330	-	-	-	-	-	32,359
		01/07/2017	32,359	33,330	-	-	-	-	-	32,359
	FY13 Plan	01/07/2014	68,020	33,330	-	-	-	-	-	68,020
		01/07/2015	62,887	33,330	-	-	-	-	-	62,887
		01/07/2016	61,722	33,330	-	-	-	-	-	61,722
Clive Dickens	FY14 Plan	01/07/2015	32,676	33,330	-	-	-	-	-	32,676
		01/07/2016	32,359	33,330	-	-	-	-	-	32,359
		01/07/2017	32,359	33,330	-	-	-	-	-	32,359
	FY13 Plan	01/07/2014	68,020	33,330	-	-	-	-	-	68,020
		01/07/2015	62,887	33,330	-	-	-	-	-	62,887
		01/07/2016	61,722	33,330	-	-	-	-	-	61,722

(iii) Rights holdings

	Balance at Start of Year	Granted as compensation	Forfeited	Exercised	Balance at end of Year	Vested and exercisable	Unvested
Executives							
Rhys Holleran	1,467,253	340,882	(219,002)	(98,768)	1,490,365	-	1,490,365
Stephen Kelly	709,539	-	(505,914)	(203,625)	-	-	-
Peter Lewis	-	-	-	-	-	-	-
Guy Dobson	288,944	97,394	-	-	386,338	-	386,338
Craig Bruce	397,171	122,958	(171,354)	-	348,775	-	348,775
Andrea Ingham	192,629	97,394	-	-	290,023	-	290,023
Clive Dickens	192,629	97,394	-	-	290,023	-	290,023

(iv) Rights exercised

	Date of exercise rights	Number of ordinary shares issued on exercise of rights during the year	Value at exercise date \$
Executives			
Rhys Holleran	13 August 2013	98,768	144,822
Stephen Kelly	13 August 2013	56,439	82,756
Stephen Kelly	25 March 2014	147,186	197,896

11. Directors' and Executives' holdings of shares

The aggregate number of Company shares held directly, indirectly or beneficially by Directors of the Company or their related entities as at 30 June 2014 are:

	Balance at start of year	Received during the year on exercise of rights	Other changes during the year	Balance at end of year
Non-Executive Directors				
Max Moore-Wilton	1,000,000	-	-	1,000,000
Leon Pasternak	1,064,216	-	-	1,064,216
Chris de Boer	148,571	-	-	148,571
Michael Carapiet	1,347,900	-	-	1,347,900
Peter Harvie	-	-	-	-
Macquarie Group Limited and controlled entities	179,513,906	-	-	179,513,906
	183,074,593	-	-	183,074,593
Executives				
Rhys Holleran	355,055	98,768	6,857	460,680
Peter Lewis	-	-	-	-
Guy Dobson	-	-	-	-
Craig Bruce	-	-	-	-
Andrea Ingham	-	-	-	-
Clive Dickens	-	-	-	-
	355,055	98,768	6,857	460,680

Former Non-Executive Directors and Executives

Tony Bell	172,767	n/a	n/a	n/a
Marina Darling	100,000	n/a	n/a	n/a
Stephen Kelly	142,170	203,625	n/a	n/a
	414,937	203,625	n/a	n/a

12. Other remuneration information

Loans to Directors and executives

There were no loans to KMP and their related parties during the year ended 30 June 2014.

Other transactions and balances with KMP and their related parties

During the year there were no other transactions with Key Management Personnel or their related parties.

13. 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 for audit and non-audit services provided during the year are detailed in note 4 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.

14. 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.

15. 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 50.

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
19 August 2014



Leon Pasternak
Deputy Chairman
Southern Cross Media Group Limited
Sydney, Australia
19 August 2014



Auditor's Independence Declaration

As lead auditor for the audit of Southern Cross Media Group Limited for the year ended 30 June 2014, 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'.

Chris Dodd
Partner
PricewaterhouseCoopers

Melbourne
19 August 2014

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Statement of Comprehensive Income

	Note	Consolidated	
		2014 \$'000	2013 \$'000
Revenue from continuing operations	2	640,834	642,631
Other income	2	-	10,483
Broadcast and production costs		(120,440)	(104,311)
Employee expenses		(169,084)	(174,505)
Selling costs		(69,835)	(67,683)
Occupancy costs		(30,555)	(29,310)
Promotions and marketing		(18,307)	(13,679)
Administration costs		(52,897)	(51,967)
Share of net losses of investments accounted for using the equity method	10	(11)	(668)
Profit before depreciation, amortisation, interest, impairment, fair value movements on financial derivatives and income tax expenses for the year from continuing operations		179,705	210,991
Depreciation and amortisation expense	2	(27,511)	(26,476)
Impairment of intangibles and investments	13	(392,467)	-
Interest expense and other borrowing costs	2	(41,719)	(54,977)
Interest revenue	2	2,415	3,731
(Loss) / Profit before income tax expense for the year from continuing operations		(279,577)	133,269
Income tax expense from continuing operations	5	(16,431)	(37,158)
(Loss) / Profit from continuing operations after income tax expense for the year		(296,008)	96,111
<i>Other comprehensive income that may be reclassified to profit or loss:</i>			
Changes to fair value of cash flow hedges, net of tax		5,769	2,264
Total comprehensive (loss) / profit for the year attributable to shareholders		(290,239)	98,375
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	24	(41.98)	13.64
Diluted earnings per share (cents)	24	(41.98)	13.59

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

Statement of Financial Position

	Note	Consolidated	
		2014 \$'000	2013 \$'000
Current assets			
Cash and cash equivalents	7	62,090	102,906
Receivables	8	115,498	129,638
Total current assets		177,588	232,544
Non-current assets			
Receivables	9	5,843	6,221
Investments accounted for using the equity method	10	2,880	13,677
Other financial assets	11	-	110
Property, plant and equipment	12	171,343	170,595
Intangible assets	13	1,650,612	2,030,882
Deferred tax assets	14	5,396	9,003
Total non-current assets		1,836,074	2,230,488
Total assets		2,013,662	2,463,032
Current liabilities			
Payables	16	85,087	105,895
Provisions	17	20,643	19,817
Borrowings	18	84	19,194
Current tax liabilities		22,956	46,223
Derivative financial instruments	19	8,946	4,207
Total current liabilities		137,716	195,336
Non-current liabilities			
Borrowings	18	646,472	676,175
Derivative financial instruments	19	-	14,863
Provisions	20	15,864	10,522
Total non-current liabilities		662,336	701,560
Total liabilities		800,052	896,896
Net assets		1,213,610	1,566,136
Equity			
Contributed equity	21	1,686,878	1,686,878
Reserves	22	(1,993)	(8,941)
Other equity transaction	22	(77,406)	(77,406)
Accumulated losses	23	(394,167)	(34,693)
Equity attributable to equity holders		1,213,312	1,565,838
Non-controlling interest		298	298
Total equity		1,213,610	1,566,136

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

Statement of Changes in Equity

2014	Consolidated						Non-controlling interest	Total equity
	Contributed equity \$'000	Reserves \$'000	Other equity transaction \$'000	Accum losses \$'000	Total \$'000			
Restated total equity at 1 July 2013	1,686,878	(8,941)	(77,406)	(34,693)	1,565,838	298		1,566,136
Profit for the year	-	-	-	(296,008)	(296,008)	-		(296,008)
Other comprehensive income	-	5,769	-	-	5,769	-		5,769
Total comprehensive income	-	5,769	-	(296,008)	(290,239)	-		(290,239)
Transactions with equity holders in their capacity as equity holders:								
Employee share entitlements	-	1,179	-	-	1,179	-		1,179
Dividends provided for or paid	-	-	-	(63,466)	(63,466)	-		(63,466)
	-	1,179	-	(63,466)	(62,287)	-		(62,287)
Total equity at 30 June 2014	1,686,878	(1,993)	(77,406)	(394,167)	1,213,312	298		1,213,610

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

Statement of Changes in Equity (continued)

2013	Consolidated						
	Contributed equity \$'000	Reserves \$'000	Other equity transaction \$'000	Accum losses \$'000	Total \$'000	Non- controlling interest \$'000	Total equity \$'000
Restated total equity at 1 July 2012	1,686,878	(12,336)	(77,406)	(63,842)	1,533,294	298	1,533,592
Profit for the year	-	-	-	96,111	96,111	-	96,111
Other comprehensive income	-	2,264	-	-	2,264	-	2,264
Total comprehensive income	-	2,264	-	96,111	98,375	-	98,375
Transactions with equity holders in their capacity as equity holders:							
Employee share entitlements	-	1,131	-	-	1,131	-	1,131
Dividends provided for or paid	-	-	-	(66,962)	(66,962)	-	(66,962)
	-	1,131	-	(66,962)	(65,831)	-	(65,831)
Total equity at 30 June 2013	1,686,878	(8,941)	(77,406)	(34,693)	1,565,838	298	1,566,136

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

Statement of Cash Flows

	Note	Consolidated	
		2014 \$'000	2013 \$'000
Cash flows from operating activities			
Receipts from customers		714,393	705,402
Payments to suppliers / employees		(519,538)	(517,144)
Interest received from external parties		2,415	3,729
Tax paid		(38,312)	(38,746)
Net cash inflows from operating activities	25	158,958	153,241
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(27,309)	(25,065)
Payments for purchase of intangibles		(53)	(141)
Proceeds from sale of property, plant and equipment		134	1,878
Proceeds from sale of subsidiary		-	17,651
Payments for purchase of investments		-	(1,165)
Net cash flows used in investing activities		(27,228)	(6,842)
Cash flows from financing activities			
Dividends paid to security holders		(63,466)	(66,962)
Repayment of borrowings from external parties		(53,000)	(16,000)
Interest paid to external parties		(51,319)	(56,977)
Payments for debt refinancing		(4,140)	-
Movement in finance lease liabilities		(621)	(729)
Net cash flows used in financing activities		(172,546)	(140,668)
Net (decrease)/increase in cash and cash equivalents		(40,816)	5,731
Cash assets at the beginning of the year		102,906	97,175
Cash assets at the end of the year	7	62,090	102,906

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). The Group is a for-profit entity for the purpose of preparing the financial statements.

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

i) *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.

ii) *Historical cost convention*

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

iii) *Comparative figures*

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

b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2014 and the results of all subsidiaries for the year then ended. The effects of all transactions between entities in the Group are eliminated in full.

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

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

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

1. Summary of Significant Accounting Policies (continued)

b) Principles of consolidation (continued)

i) *Subsidiaries*

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

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

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

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

ii) *Associates*

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

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

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

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

iii) *Joint Ventures*

Interest in joint venture entities are accounted for in the consolidated financial statements using the equity method and are carried at cost by the Company.

iv) *Transactions with non-controlling parties*

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

1. Summary of Significant Accounting Policies (continued)

c) Foreign 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.

d) Cash and cash equivalents

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

e) Investments and other financial assets

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

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

Loans, receivables and trade receivables

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

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

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

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.

1. Summary of Significant Accounting Policies (continued)

f) Property, plant and equipment (continued)

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

Depreciation

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

Buildings	5 – 50 years
Leasehold improvements	3 – 16 years
Network equipment	2 – 10 years
Communication equipment	3 – 5 years
Other plant and equipment	2 – 20 years
Leased plant and equipment	2 – 20 years

g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to 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.

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.

Goodwill

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

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

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

i) Impairment of assets

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

j) Derivative financial instruments

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

1. Summary of Significant Accounting Policies (continued)

j) Derivative financial instruments (continued)

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 19.

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.

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. Volatility is a measure of the underlying movement in the share price. A share's volatility measure captures the characteristics of fluctuations in the share price.

1. Summary of Significant Accounting Policies (continued)

m) Employee benefits (continued)

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 operates a defined contribution scheme.

Defined contribution scheme

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

o) Borrowings

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

p) Borrowing costs

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

q) Contributed equity

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

r) Revenue recognition

Revenues are recognised at fair value of the consideration received or receivable net of the amount of 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.

1. Summary of Significant Accounting Policies (continued)

r) Revenue recognition (continued)

Rental revenue

Rental revenue is recognised on a straight line basis.

s) Government grants

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

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

t) Income tax

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

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

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

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 applied the following standards and amendments for first time for their annual reporting period commencing 1 July 2013:

i) **AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards**

AASB 10 *Consolidated Financial Statements* was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and in Interpretation 112 *Consolidation – Special Purpose Entities*. The group has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

Under AASB 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The group's accounting for its interests in joint arrangements was not affected by the adoption of the new standard.

AASB 12 sets out the required disclosures for entities reporting under AASB 10 and AASB 11. It replaces the disclosure requirements currently found in AASB 127, AASB 128 and AASB 131.

ii) **AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and other Amendments** which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period.

1. Summary of Significant Accounting Policies (continued)

iii) **AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13**

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures; it does not change when an entity is required to use fair value to measure an asset or liability. The Group does not use fair value measurements extensively. See note 19 for more information.

iv) **AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle**

AASB 2012-5 Amendments are unlikely to have a significant impact to the Group.

v) **AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities**

AASB 2012-2 amendments do not change the current offsetting rules in AASB 132, but they clarify that the right of set-off must be available today (ie not contingent on a future event) and must be legally enforceable in the normal course of business as well as in the event of default, insolvency or bankruptcy. There are more extensive disclosures which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements, irrespective of whether they are offset. The amendments are unlikely to have a significant impact to the Group.

vi) **AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements Revised Corporations Regulations 2M.3.03**

AASB 2011-4 amendments remove the individual key management personnel disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard. Following the release of revised Corporations Regulations, all of the detailed disclosures will have to be included in the remuneration report for financial years commencing on or after 1 July 2013. Aggregate disclosures will still be required for the notes to the financial statements.

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 2014 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below:

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by group
AASB 9 <i>Financial Instruments</i>	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting.	<p>There will be no impact on the group's accounting for financial assets and financial liabilities, as the new requirements only affect the accounting for financial assets and liabilities that are designated at fair value through profit or loss and the group does not have any such assets or liabilities.</p> <p>The new hedging rules align hedge accounting more closely with the group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.</p>	<p>Must be applied for financial years commencing on or after 1 January 2017 *</p> <p>The group has not yet assessed how its own hedging arrangements would be affected by the new rules, and it has not yet decided whether to adopt any parts of AASB 9 early.</p> <p>In order to apply the new hedging rules, the group would have to adopt AASB 9 and the consequential amendments to AASB 7 and AASB 139 in their</p>

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by group
			entirety. * The mandatory application of this standard may be further deferred once the IASB has agreed on a mandatory date for the equivalent international standard
<p><i>AASB 2014-1 Amendments to Australian Accounting Standards</i></p> <p><i>Part A: Annual Improvements 2010-2012 and 2011-2013 cycles</i></p>	<p>In June 2014 the AASB approved a number of amendments to Australian Accounting Standards as a result of the annual improvements project. These include:</p> <p><i>AASB 2, 'Share-based payment'</i></p> <p>The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.</p> <p>The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.</p> <p><i>AASB 8, 'Operating segments'</i></p> <p>The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics.</p> <p>The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.</p> <p><i>AASB 13, 'Fair value measurement'</i></p> <p>When IFRS 13 was published, paragraphs B5.4.12 of IFRS 9 and AG79 of IAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.</p>	<p>The group has not yet considered the impact of the new amendments. It will undertake a detailed assessment in the near future.</p>	<p>Mandatory for financial years commencing on or after 1 July 2014.</p> <p>The group intends to apply the amendments for financial years commencing 1 July 2014.</p>
<p><i>Revenue from contracts with customers</i></p>	<p>The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.</p> <p>The new standard is based on the principle</p>	<p>The group has not yet considered the impact of the new rules on its revenue recognition policies. It will undertake a detailed assessment in the near future.</p>	<p>Mandatory for financial years commencing on or after 1 January 2017.</p> <p>Expected date of adoption by the group: 1 July 2017.</p>

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by group
	that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. While the AASB has not yet issued an equivalent standard, they are expected to do so in the second half of 2014.		

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*

Goodwill and intangible assets with indefinite useful lives

In accordance with the accounting policy stated in notes 1(h) and 1(i) the Group tests at least annually whether goodwill and intangible assets with indefinite useful lives have suffered any impairment and when there is an indication of impairment. The tests incorporate assumptions regarding future events which may or may not occur, resulting in the need for future revisions of estimates. There are also judgements involved in determination of cash generating units. Refer to note 13 for details of these assumptions.

Parent company investment in subsidiary

When goodwill on consolidation is written down as a result of impairment, the carrying value of the parent entity's investment in the relevant subsidiaries should also be reviewed for impairment. This is because an impairment of goodwill on consolidation may mean the carrying amount of the underlying investment may also be impaired. The Group compares the carrying amount of the investment in subsidiaries with the forecast cash flows of the underlying businesses. The calculation used is consistent with the methodology and assumptions for testing for impairment of goodwill and intangibles with indefinite lives.

ii) *Income taxes*

The Group is subject to income taxes in Australia and in some of its foreign operations. The Group had raised a 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 objected against the assessments and during the period reached a settlement with the ATO. The settlement of \$14 million primary tax resulted in write-backs during the period of interest expense (\$10.9 million) and income tax expense (\$15.5 million) that had previously been recognised. Refer to note 5.

cc) *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.

dd) *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.

1. Summary of Significant Accounting Policies (continued)

dd) Hedge Accounting (continued)

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.

ee) 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.

ff) 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, less any impairment charges.

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.

1. Summary of Significant Accounting Policies (continued)

ff) Parent entity financial information (continued)

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.

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	
	2014	2013
	\$'000	\$'000
Revenue from continuing operations		
Sales revenue	635,457	636,993
Rental revenue	5,401	5,508
Net profit on disposal of property, plant and equipment	(24)	130
Total revenue from continuing operations	640,834	642,631
Net profit on sale of Investments¹	-	10,483
Interest revenue		
External banks	2,415	3,731
Impairment		
Impairment of intangibles and investments	392,467	-
Total impairment expense	392,467	-
Depreciation expense		
Land and buildings	1,014	981
Plant and equipment	24,398	22,979
Leasehold improvements	2,033	2,005
Plant and equipment under finance leases	66	66
Total depreciation expense	27,511	26,031
Amortisation expense		
Programming services agreement	-	445
Total amortisation expense	-	445
Total depreciation, amortisation and impairment expense	419,978	26,476
Interest expense and other borrowing costs		
External banks	44,021	50,037
Reversal of interest accrued on amended tax assessments	(10,889)	-
Amortisation of borrowing costs	8,505	4,910
Finance charges on capitalised leases	82	30
Total interest expense and other borrowing costs	41,719	54,977
 Rental expense relating to operating leases - included in occupancy costs	 25,099	 23,065
Defined contribution plan expense – included in employee expenses	12,193	12,527

¹ During 2013, the Group divested of a subsidiary that held two commercial FM radio broadcasting licences in the Sunshine Coast region.

3. Significant Items

The net profit after tax includes the following items whose disclosure is relevant in explaining the financial performance of the consolidated entity.

Significant items are those items of such a nature or size that separate disclosure will assist users to understand the financial statements.

	Consolidated	
	2014	2013
	\$'000	\$'000
Impairment of intangibles and investments (refer notes 10 and 13)	(392,467)	-
Onerous contracts (refer notes 17 and 20)	(5,670)	-
Write off of unamortised borrowing costs on previous debt facility (refer note 18)	(3,900)	-
Resolution of tax dispute (refer note 5)	26,400	-
Profit on Sale of Sunshine Coast Radio ¹	-	10,400
Total Significant Items included in NPAT	(375,637)	10,400

¹ During 2013, the Group divested of a subsidiary that held two commercial FM radio broadcasting licences in the Sunshine Coast region.

In 2013, the Sunshine Coast Radio business had revenue of \$5.0m, EBITDA of \$1.9m and NPAT of \$1.2m that was included in the statutory profit. The results were not separately disclosed as discontinued operations as the numbers individually were not material.

4. Remuneration of Auditors

	Consolidated	
	2014	2013
	\$	\$
(a) Audit and other assurance services		
PricewaterhouseCoopers Australian firm:		
Statutory audit and review of financial reports	580,000	525,000
Regulatory returns	8,000	10,000
Total remuneration for audit and other assurance services	588,000	535,000
(b) Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax services	101,482	12,050
Total remuneration for taxation services	101,482	12,050
(c) Other services		
PricewaterhouseCoopers Australian firm:		
Debt advisory	475,000	-
Remuneration consulting services	12,000	-
Other consulting services	102,000	69,690
Total remuneration for other services	589,000	69,690
Total	1,278,482	616,740

5. 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	
	2014	2013
	\$'000	\$'000
Income tax expense / (benefit)		
Current tax	12,824	27,017
Deferred tax	3,607	10,141
	16,431	37,158
Deferred income tax expense / (benefit) included in income tax expense comprises:		
Increase in net deferred tax assets	6,571	7,503
Adjustment for prior years	(2,964)	2,638
	3,607	10,141
Reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	(279,577)	133,269
Tax at the Australian tax rate of 30%	(83,873)	39,981
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income		
Deferred tax asset not recognised on impairment of non-current assets	117,750	-
Reversal of tax previously recognised on amended assessments	(18,873)	-
Share of net losses of associates	(3)	200
Other non-deductible expenses / (deductible expenses) / (non-assessable income)	4,394	(5,661)
Adjustments recognised in the current year in relation to deferred tax of prior years	(2,964)	2,638
Income tax expense	16,431	37,158

For the year ended 30 June 2014, the Company had \$2.5 million of income tax expense (2013: \$1.0 million expense) recognised directly in equity in relation to cash flow hedges, with a corresponding deferred tax liability (2013: liability) being recognised. There are no unused tax losses for which no deferred tax asset has been recognised.

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 lodged objections against each of the amended assessments and the SIC imposed and reached a settlement with the ATO during the period for a cash payment of \$14 million with no SIC or penalties to be applied to the new assessments. As such, \$10.9 million in interest and \$15.5 million in income tax expense has been reversed in the current year. Subsequent to year end, payment of the primary tax was made on 11 August 2014, and the matter has now been concluded.

6. Dividends Paid and Proposed

The dividends were paid and payable as follows:

	Consolidated	
	2014	2013
	\$'000	\$'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%	31,736	31,719
Final dividend paid for the year ended 30 June – fully franked at the tax rate of 30%	31,730	35,243
	63,466	66,962
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan were as follows:		
Paid in cash	63,466	66,962
	63,466	66,962
	Cents per share	Cents per share
Interim dividend paid for the half year 31 December	4.5	4.5
Final dividend paid for the year ended 30 June	4.5	5.0
	9.0	9.5

The Group has \$106.0 million of franking credits at 30 June 2014 (2013: \$91.7 million)

7. Current Assets – Cash and Cash Equivalents

	Consolidated	
	2014	2013
	\$'000	\$'000
Cash at bank	62,090	102,906

8. Current Assets – Receivables

	Consolidated	
	2014 \$'000	2013 \$'000
Current		
Trade receivables	108,668	123,124
Provision for doubtful debts (a)	(527)	(601)
Prepayments	4,926	5,143
Other	2,431	1,972
	<u>115,498</u>	<u>129,638</u>

a) Impaired trade receivables

The Group has recognised expenses in respect of bad and doubtful trade receivables during the year ended 30 June 2014 of \$709,370 (2013: income of \$27,882). This provision is based on known bad debts and past experience for receipt of trade receivables.

9. Non-Current Assets – Receivables

	Consolidated	
	2014 \$'000	2013 \$'000
Non-current		
Refundable deposits	538	539
Related parties	900	942
Other	4,405	4,740
	<u>5,843</u>	<u>6,221</u>

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

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

			Consolidated			
			2014		2013	
			\$'000		\$'000	
Shares in associates and joint ventures – equity method			2,880		13,677	
a) Carrying amounts						
Information relating to associates and joint ventures is set out below:						
			Ownership interest %		Consolidated	
Name of company	Country of origin	Principal activity			2014	2013
			2014	2013	\$'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	892	7,745
Darwin Digital Television Pty Ltd	Australia	Operation of a TV station – Darwin	50.0	50.0	-	251
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	-	-
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	615	615
Melbourne FM Facilites 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	272	279
Digital Radio Broadcasting Sydney Pty Ltd	Australia	Digital radio broadcasting	22.6	22.6	834	834
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	25.0	25.0	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
Digital Radio Broadcasting Hobart Pty Ltd	Australia	Digital radio broadcasting	66.7	66.7	-	-
RBA Holdings Pty Ltd	Australia	Rental of a transmission facility	35.7	35.7	-	-
Digital Music Distribution Pty Ltd	Australia	Digital Music Distribution	33.3	33.3	-	3,754
Get Outside Group Pty Ltd	Australia	Media Entertainment Business	50.0	50.0	78	10
					2,880	13,677

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.

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

b) Movements in carrying amounts

	Consolidated	
	2014	2013
	\$'000	\$'000
Carrying amount at the beginning of the financial year	13,677	10,581
Share of losses after income tax	(11)	(668)
Impairment of associates and joint ventures	(12,096)	
Acquisitions of associates and joint ventures	-	3,764
Contributions to associates and joint ventures	1,310	-
Carrying amount at the end of the financial year	2,880	13,677

Impairment

At 30 June 2014, an impairment loss of \$7.0 million was recorded against the carrying value of Tasmanian Digital Television Pty Ltd ("TDT"). The estimated recoverable amount of TDT, based on value in use, equals its carrying amount. The impairment reflects lower television advertising revenue growth rates over the forecast period and an expected low point of market share with respect to the Channel Ten advertising market with no improvement in the market share in future years. The prior year value in use model assumed an improvement in market share in future years. In addition, there has been a reduction of the long term terminal growth rate of TDT to 2.5% (from 3.0% in prior year) reflecting a lower long term growth rate for regional television revenues. The pre-tax discount rate utilised is consistent with that of the Regional CGU. Refer note 13 for details.

At 30 June 2014, an impairment loss of \$5.1 million was recorded against the carrying value of Digital Music Distribution Pty Ltd due to limited cash flows over the forecast period. The estimated recoverable amount of DMD is nil.

c) Summarised financial information for individually immaterial associates and joint ventures

	Consolidated	
	2014	2013
	\$'000	\$'000
Share of associates' and joint ventures' assets and liabilities		
Current assets	2,632	3,795
Non-current assets	4,130	17,795
Total assets	6,762	21,590
Current liabilities	486	2,248
Non-current liabilities	3,396	5,665
Total liabilities	3,882	7,913
Net assets	2,880	13,677
Share of associates' and joint ventures' revenue, expenses and results		
Revenue	3,083	3,273
Expenses	(3,017)	(3,941)
Profit before income tax	66	(668)
Income tax expense	(77)	-
Net loss – accounted for using the equity method	(11)	(668)
Share of associates' and joint ventures' contingent liabilities		
Share of contingent liabilities incurred jointly with other investors	-	-
Contingent liabilities relating to liabilities of associates and joint ventures for which the Company is severally liable	-	-

11. Non-Current Assets – Other Financial Assets

	Consolidated	
	2014	2013
	\$'000	\$'000
Available for sale investments – at fair value	-	110

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

	Consolidated	
	2014	2013
	\$'000	\$'000
Land and buildings– at cost	52,377	49,910
Less: Accumulated depreciation	(13,303)	(12,466)
Total land and buildings – net	39,074	37,444
Leasehold improvements – at cost	35,029	34,881
Less: Accumulated depreciation	(17,492)	(16,269)
Total leasehold improvements – net	17,537	18,612
Plant and equipment – at cost	386,221	387,525
Less: Accumulated depreciation	(281,964)	(280,365)
Total plant and equipment – net	104,257	107,160
Leased plant & equipment – at cost	455	612
Less: Accumulated depreciation	(186)	(370)
Total leased plant and equipment – net	269	242
Assets under construction – at cost	10,206	7,137
Total property, plant and equipment – at cost	484,288	480,065
Less: Total accumulated depreciation	(312,945)	(309,470)
Total property, plant and equipment – net	171,343	170,595

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

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

	Consolidated	
	2014	2013
	\$'000	\$'000
Land and buildings		
Carrying amount at the beginning of the financial year	37,444	37,519
Additions	2,644	479
Disposals	-	-
Depreciation expense	(1,014)	(981)
Transfers	-	427
Carrying amount at the end of the financial year	39,074	37,444
Leasehold improvements		
Carrying amount at the beginning of the financial year	18,612	19,223
Additions	980	1,364
Disposals	-	(547)
Depreciation expense	(2,033)	(2,005)
Transfers	(22)	577
Carrying amount at the end of the financial year	17,537	18,612
Plant and equipment		
Carrying amount at the beginning of the financial year	107,160	108,807
Additions	17,165	18,548
Disposals	(99)	(914)
Depreciation expense	(24,398)	(22,979)
Transfers	4,429	3,698
Carrying amount at the end of the financial year	104,257	107,160

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

	Consolidated	
	2014	2013
	\$'000	\$'000
Leased plant and equipment		
Carrying amount at the beginning of the financial year	242	401
Additions	227	-
Disposals	(134)	(93)
Depreciation expense	(66)	(66)
Carrying amount at the end of the financial year	269	242
Assets under construction		
Carrying amount at the beginning of the financial year	7,137	6,567
Transfers	(4,407)	(4,832)
Additions	7,476	5,402
Carrying amount at the end of the financial year	10,206	7,137
Total property, plant and equipment – net	171,343	170,595

13. Non-Current Assets – Intangible Assets

	Consolidated	
	2014	2013
	\$'000	\$'000
Commercial radio/TV broadcast licences – at cost	1,589,574	1,589,574
Less impairment expense	(63,968)	-
Total licences – net	1,525,606	1,589,574
Tradenames – at cost	373	279
Less impairment expense	-	-
Total Tradenames – net	373	279
Brands – at cost	88,900	88,900
Less impairment expense	-	-
Total brands – net	88,900	88,900
Programming services agreement – at cost	1,000	1,000
Less accumulated amortisation	(1,000)	(1,000)
Total programming services agreement – net	-	-
Goodwill – at cost	352,129	352,129
Less impairment expense	(316,396)	-
Total goodwill – net	35,733	352,129
Total intangibles – at cost	2,031,976	2,031,882
Less total accumulated amortisation and impairment expense	(381,364)	(1,000)
Total intangibles – net	1,650,612	2,030,882

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

	Consolidated	
	2014	2013
	\$'000	\$'000
Commercial radio/TV broadcast licences		
Carrying amount at the beginning of the financial year	1,589,574	1,595,282
Impairment expense	(63,968)	-
Disposal of subsidiaries	-	(5,708)
Carrying amount at the end of the financial period	1,525,606	1,589,574
Tradenames		
Carrying amount at the beginning of the financial year	279	139
Additions	94	140
Carrying amount at the end of the financial year	373	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
Programming services agreement		
Carrying amount at the beginning of the financial year	-	445
Acquisition of subsidiaries	-	-
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
Impairment expense	(316,396)	-
Additions	-	5
Carrying amount at the end of the financial year	35,733	352,129
Total intangibles – net	1,650,612	2,030,882

13. 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 2014 and 30 June 2013 and the Metro free to air broadcasting CGU at 30 June 2014 and 30 June 2013 was determined based on a value in use discounted cash flow ("DCF") model.

Allocation of goodwill and other intangible assets

	Regional Free to Air Broadcasting CGU	Metro Free to Air Broadcasting CGU	Total
2014	\$'000	\$'000	\$'000
Goodwill allocated to CGU	-	35,733	35,733
Indefinite lived intangible assets allocated to CGU	758,185	856,694	1,614,879
Total goodwill and indefinite lived intangible assets	758,185	892,427	1,650,612
	%	%	
Value in use assumptions (see part (b))			
Revenue growth – Forecast Period	1.8	4.1	
Cost growth – Forecast Period	2.2	2.7	
Long-term growth rate – terminal value	2.5	3.0	
Discount rate (pre-tax)	12.6	12.3	
	Regional Free to Air Broadcasting CGU	Metro Free to Air Broadcasting CGU	Total
2013	\$'000	\$'000	\$'000
Goodwill allocated to CGU	316,396	35,733	352,129
Indefinite lived intangible assets allocated to CGU	817,453	861,300	1,678,753
Total goodwill and indefinite lived intangible assets	1,133,849	897,033	2,030,882
	%	%	
Value in use assumptions (see part (b))			
Revenue growth – Forecast Period	5.0	3.9	
Cost growth – Forecast Period	4.0	2.9	
Long-term growth rate – terminal value	3.0	3.0	
Discount rate (pre-tax)	11.3	11.5	

13. 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 2015 financial budgets extended over the subsequent four year period ("Forecast Period") and applies a terminal value calculation using estimated growth rates approved by the Board for the business relevant to each CGU. In determining appropriate growth rates to apply to the Forecast Period and to the terminal calculation the Company considered independent media experts forecast reports as well as internal company data and assumptions. In respect to each CGU the market growth rates did not exceed the independent forecast reports. 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

Impairment

At 30 June 2014, an impairment loss of \$375.7 million was recorded against goodwill and licences in the Regional CGU. The estimated recoverable amount of the Regional CGU, based on value in use, equals its carrying amount. The impairment reflects lower television advertising revenue growth rates over the forecast period and an expected low point of market share with respect to the Channel Ten advertising market with no improvement in the market share in future years (the prior year value in use model assumed an improvement in market share in future years). In addition, there has been a reduction of the long term terminal growth rate of the Regional CGU to 2.5% (from 3.0% in prior year) reflecting a lower long term growth rate for regional television revenues. The pre-tax discount rate has also increased from 11.3% to 12.6% predominantly reflecting a change in the target debt/enterprise value from 40% to 30% (which is aligned with industry standard).

Sensitivity

Any variation in the key assumptions used to determine the value-in-use would result on a change of the recoverable amount of the Regional CGU. Negative variances may cause a further impairment in future periods. It is estimated that changes in key assumptions would have the following approximate impact on the recoverable amount:

Sensitivity	Change in variable in perpetuity	Impact of change on Regional CGU carrying value
	%	\$'000
Revenue	+1%	56.7
	-1%	(56.7)
Expenses	+1%	(41.3)
	-1%	41.3
Post tax discount rate	+0.5%	(57.7)
	-0.5%	66.5
Terminal growth rate	+0.5%	52.7
	-0.5%	(45.7)

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

Metro free to air broadcasting

Impairment

At 30 June 2014, an impairment loss of \$4.7 million was recorded against excess specific digital spectrum licences attributed to the Metro CGU. The impairment reflects the longer gestation period to derive revenue from these licences against higher committed costs to service the licences. The estimated recoverable amount of these excess digital spectrum licences, based on value in use, equals its carrying amount of nil. There was no other impairment recognised for the value of the Metro CGU goodwill or licences however the amount by which the recoverable amount exceeded the carrying value of the assets allocated to the Metro free to air broadcasting CGU has decreased from the prior year (to \$45.9 million from \$243.6 million). This decrease is caused by an increase in the pre-tax discount rate from 11.5% to 12.3%, predominantly reflecting a change in the target debt/enterprise value from 40% to 30%. In addition, Year 1 of the value in use model reflects a lower market share, with market share steadily increasing from Year 2, returning to a long term average market share by Year 5. The prior year value in use model reflected a higher market share in Year 1 with a lower growth over the 5 year period. In the current year value in use model, management has budgeted for an increased spend on talent, marketing and production support to underpin the return to long term average market share.

Sensitivity

Any variation in the key assumptions used to determine the value-in-use would result in a change of the recoverable amount of the Metro CGU. Negative variances may cause impairment in future periods. The following reasonable shifts in key assumptions would result in a recoverable amount equal to the carrying amount.

Sensitivity	Change in variable in perpetuity
	%
Revenue	-1.0%
Expenses	+1.5%
Post tax discount rate	+0.3%
Terminal growth rate	-0.4%

14. Deferred Taxes

	Consolidated	
	2014	2013
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Doubtful debts	158	180
Property, plant and equipment	894	863
Licences	(14,060)	(14,060)
Brand	(874)	(874)
Acquisition costs	1,001	4,911
Creditors and accruals	1,552	2,030
Unearned revenue	2,262	55
Employee benefits	5,963	6,383
Provisions	4,866	2,827
Interest rate swaps	2,684	5,721
Other	950	967
Net balance	5,396	9,003
Disclosed as:		
Deferred tax assets	5,396	9,003
	5,396	9,003
Movements:		
Balance at the beginning of the financial year	9,003	19,143
Adjustment relating to prior years	2,875	(2,638)
Charged to income statement	(6,571)	(7,503)
Other adjustment	89	1
Balance at the end of the financial year	5,396	9,003
Deferred taxes to be recovered after more than 12 months	(11,121)	(3,439)
Deferred taxes to be recovered within 12 months	16,517	12,442
	5,396	9,003

15. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following 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 2014	Effective ownership interest 2013
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%	100%
Southern Cross Media Group Investments Pty Ltd	Australia	Ordinary	100%	100%
Southern Cross Austereo Pty Limited (SCAPL) and controlled entities	Australia	Ordinary	100%	100%

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

16. Current Liabilities – Payables

	Consolidated	
	2014	2013
	\$'000	\$'000
Trade creditors	10,154	7,753
GST payable	4,118	3,886
Other payables including accrued expenses	62,373	82,182
Deferred income	8,442	12,074
	<u>85,087</u>	<u>105,895</u>

17. Current Liabilities – Provisions

	Consolidated	
	2014	2013
	\$'000	\$'000
Employee benefits	17,993	18,677
Onerous contracts	1,740	-
Lease straight line	339	553
Lease incentives	571	587
	<u>20,643</u>	<u>19,817</u>

18. Borrowings

a) Total interest bearing liabilities

Current borrowings

		Consolidated	
		2014	2013
		\$'000	\$'000
Secured			
Bank facilities	(b)	-	19,000
Lease liabilities	(b)	84	194
Total secured current interest bearing liabilities		84	19,194

Non-current borrowings

		Consolidated	
		2014	2013
		\$'000	\$'000
Secured			
Bank facilities	(b)	650,000	684,000
Borrowing costs		(3,753)	(7,900)
Lease liabilities	(b)	225	75
Total secured non-current interest bearing liabilities		646,472	676,175
Total current and non-current borrowings		646,556	695,369

b) Bank facilities and assets pledged as security

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.

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 12 January 2019 and have an average variable interest rate of 5.11% (2013: 5.44%). 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 on the new facility was 30 June 2014, 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.

18. Borrowings (continued)

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

	SCAPL	
	2014	2013
	\$'000	\$'000
Current assets		
<i>Floating charge</i>		
Cash and cash equivalents	55,623	96,498
Receivables	114,977	129,038
Total current assets pledged as security	170,600	225,536
Non-current assets		
<i>Floating charge</i>		
Receivables	5,304	4,047
Investments accounted for using the equity method	7,944	9,912
Other financial assets	-	110
Property, plant and equipment	171,343	170,595
Intangible assets	1,650,612	2,040,809
Total non-current assets pledged as security	1,835,203	2,225,473
Total assets pledged as security	2,005,803	2,451,009

18. Borrowings (continued)

c) Financing arrangements

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

	Consolidated	
	2014	2013
	\$'000	\$'000
Bank facilities	650,000	703,000
Used at balance date	(650,000)	(703,000)
Unused at balance date	-	-
Working capital facility	-	30,000
Used at balance date	-	-
Unused at balance date	-	30,000
Working capital facility (bank guarantees/leases/credit cards/merchant facilities)	-	10,000
Used at balance date	-	(3,340)
Unused at balance date	-	6,660
Revolving facility	50,000	-
Used at balance date	-	-
Unused at balance date	50,000	-
Total facilities	700,000	743,000
Total used at balance date	(650,000)	(706,340)
Total unused at balance date	50,000	36,660

The bank facilities for the Group mature on 12 January 2019. The Group's bank facilities are denominated in Australian dollars as at 30 June 2014 and 30 June 2013.

19. Derivative Financial Instruments

	Consolidated	
	2014	2013
	\$'000	\$'000
Current liabilities		
Interest rate swap contracts (a)	8,946	4,207
Total current liabilities - derivative financial instruments	8,946	4,207
Non-current liabilities		
Interest rate swap contracts (a)	-	14,863
Total non-current liabilities - derivative financial instruments	-	14,863

19. Derivative Financial Instruments (continued)

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 30 June 2014 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 30 June 2014 is \$8,946,000 (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 \$646,472,000 of non-current borrowings at 30 June 2014 (30 June 2013: \$676,175,000) for which the carrying amount approximates fair value in the balance sheet.

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 26).

a) Interest rate swap contracts

External borrowings of the Group currently bear an average variable interest rate of 5.11% (2013: 5.44%). It is policy to protect part of the loans from exposure to increasing interest rates. The Group has previously entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates, the last of which expires in the next 12 months.

19. Derivative Financial Instruments (continued)

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

	Consolidated	
	2014	2013
	\$'000	\$'000
Less than 1 year	350,000	200,000
1 – 2 years	-	350,000
2 – 3 years	-	-
3 – 4 years	-	-

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.

20. Non-Current Liabilities – Provisions

	Consolidated	
	2014	2013
	\$'000	\$'000
Employee benefits	2,062	2,239
Onerous contracts	6,392	-
Lease incentives	1,233	1,551
Make good	3,200	3,423
Lease straight line	2,977	3,309
	15,864	10,522

20. Non-Current Liabilities – Provisions (continued)

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

	Consolidated	
	2014	2013
	\$'000	\$'000
Balance at the beginning of the financial year	8,284	9,690
Movements in the year	5,518	(1,406)
Balance at the end of the financial year	13,802	8,284

21. Contributed Equity

	Consolidated	
	2014	2013
	\$'000	\$'000
Ordinary shares	1,686,878	1,686,878
Contributed equity	1,686,878	1,686,878

	Consolidated	
	2014	2013
	\$'000	\$'000
On issue at the beginning of the financial year	1,686,878	1,686,878
On issue at the end of the financial year	1,686,878	1,686,878

21. Contributed Equity (continued)

	Consolidated 2014	2013
	'000	'000
	Number of securities	
On issue at the beginning of the financial year	704,858	704,594
Issuing shares for employee share entitlements	389	264
On issue at the end of the financial year	705,247	704,858

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.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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) 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.

d) Capital risk management

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

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

22. Reserves and Other Equity Transactions

a) Reserves

	Consolidated	
	2014	2013
	\$'000	\$'000
Balance of reserves		
Share-based payments reserve (i)	3,503	2,324
Hedge reserve (ii)	(5,496)	(11,265)
	<u>(1,993)</u>	<u>(8,941)</u>
(i) Share-based payments reserve		
Balance at the beginning of the financial year	2,324	1,193
Employee share entitlement	1,179	1,131
Balance at the end of the financial year	<u>3,503</u>	<u>2,324</u>
(ii) Hedge reserve		
Balance at the beginning of the financial year	(11,265)	(13,529)
Recognition of hedge reserve, net of tax	-	-
Fair value movement in interest rate swaps, net of tax	5,769	2,264
Balance at the end of the financial year	<u>(5,496)</u>	<u>(11,265)</u>

22. 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 388,462 (2013: 264,076) rights have vested and 1,199,171 (2013: 2,921,124) shares have been granted. In the current year, \$1,179,000 (2013: \$1,132,000) has been recognised as an expense in the 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.

ii) *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(ee). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

b) *Other equity transactions*

	Consolidated	
	2014	2013
	\$'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.

23. Accumulated Losses

	Consolidated	
	2014	2013
	\$'000	\$'000
Balance at the beginning of the financial year	(34,693)	(63,064)
Restatement of comparatives - movement in associates	-	(778)
(Loss) / Profit attributable to security holders	(296,008)	96,111
Dividends provided for or paid	(63,466)	(66,962)
Balance at the end of the financial year	(394,167)	(34,693)

24. Earnings per Share

	Consolidated	
	2014 Cents	2013 Cents
(a) Basic earnings per share		
From continuing operations attributable to shareholders	(41.98)	13.64
Total basic earnings per share attributable to shareholders	(41.98)	13.64
(b) Diluted earnings per share		
From continuing operations attributable to shareholders	(41.98)	13.59
Total diluted earnings per share attributable to shareholders	(41.98)	13.59
(c) Reconciliation of earnings used in calculating basic & diluted earnings per share		
	Consolidated	
	2014 \$'000	2013 \$'000
<i>Basic and Diluted earnings per share</i>		
(Loss)/Profit attributable to shareholders:		
From continuing operations	(296,008)	96,111
	(296,008)	96,111
(d) Weighted average number of shares used as the denominator		
	Consolidated	
	2014 Number	2013 Number
Weighted average number of shares used as the denominator in calculating basic earnings per share	705,134,874	704,825,243
Adjustment for shares deemed to be issued at nil consideration in respect of employee share entitlements	-	2,417,205
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	705,134,874	707,242,448

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

	Consolidated	
	2014 \$'000	2013 \$'000
(Loss) / profit after income tax	(296,008)	96,111
Impairment of investments and non-current assets	392,467	-
Depreciation and amortisation	27,511	26,476
Profit on disposal of assets	(1,189)	(12,485)
Share of associate's loss	11	668
Non-cash revenue	(1,247)	(1,790)
Dividends received from investments	-	-
Interest expense and other borrowing costs included in financing activities	41,719	54,977
Share based payments	1,179	1,131
Change in operating assets and liabilities:		
Decrease in receivables	14,520	2,105
Decrease in deferred taxes (net of tax movement in hedge reserve)	1,135	9,132
(Decrease) in payables	(4,343)	(9,766)
(Decrease) in provision for income tax	(23,266)	(10,720)
Increase / (Decrease) in provisions	6,469	(2,598)
Net cash inflows from operating activities	158,958	153,241

26. 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 19 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 (2013: 25 basis points) in the relevant interest rates at 30 June 2014 for financial assets and liabilities denominated in Australian Dollars ("AUD"). The following table illustrates the impact on profit or loss with no impact directly on equity for the Group.

	Carrying Value	Impact on post-tax profits Increase/(decrease) 30 June 2014		Impact on reserves Increase/(decrease) 30 June 2014	
Consolidated AUD exposures	30 June 2014 \$'000	+/- 25 basis points \$'000	\$'000	+/- 25 basis points \$'000	\$'000
Financial assets					
Cash at bank	62,090	155	(155)	-	-
Interest rate swaps	(8,946)	-	-	439	(440)
Borrowings	(650,000)	-	-	-	-
	Carrying Value	Impact on post-tax profits Increase/(decrease) 30 June 2013		Impact on reserves Increase/(decrease) 30 June 2013	
Consolidated AUD exposures	30 June 2013 \$'000	+/- 25 basis points \$'000	\$'000	+/- 25 basis points \$'000	\$'000
Financial assets					
Cash at bank	102,906	257	(257)	-	-
Interest rate swaps	(19,070)	-	-	1,387	(1,392)
Borrowings	(703,000)	-	-	-	-

26. Financial Risk Management (continued)

For details of the Group's interest rate swaps refer to note 19.

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 As at 30 June 2014	Current 0 – 30 days \$'000	Past due 30 – 60 days \$'000	Past due 60 – 90 days \$'000	Past due >90 days \$'000	Total \$'000
Trade receivables	58,418	44,668	2,227	3,355	108,668
Provision for doubtful debts	-	-	-	(527)	(527)

Consolidated As at 30 June 2013	Current 0 – 30 days \$'000	Past due 30 – 60 days \$'000	Past due 60 – 90 days \$'000	Past due >90 days \$'000	Total \$'000
Trade receivables	62,720	53,278	2,504	4,622	123,124
Provision for doubtful debts	-	-	-	(601)	(601)

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.

26. Financial Risk Management (continued)

c) Liquidity risk (continued)

Consolidated As at 30 June 2014	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	86	159	56	3	4
Borrowings – Principal	-	-	-	650,000	-
Interest cashflows*	40,108	32,079	32,079	49,305	-
Derivative financial instruments	8,946	-	-	-	-
Payables	85,086	-	-	-	-

* calculated using a weighted average variable interest rate

Consolidated As at 30 June 2013	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	190	43	29	3	4
Borrowings – Principal	19,000	684,000	-	-	-
Interest cashflows*	39,385	51,634	-	-	-
Derivative financial instruments	11,289	9,042	-	-	-
Payables	105,535	-	-	-	-

* calculated using a weighted average variable interest rate

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:

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

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

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

26. Financial Risk Management (continued)

The following tables present the Group's assets and liabilities measured and recognised at fair value at 30 June 2014 and 30 June 2013.

Consolidated As at 30 June 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Liabilities				
Derivatives used for hedging	-	8,946	-	8,946
Total Liabilities	-	8,946	-	8,946

Consolidated As at 30 June 2013	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Liabilities				
Derivatives used for hedging	-	19,070	-	19,070
Total Liabilities	-	19,070	-	19,070

The fair value of financial instruments that are not traded in an active market 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.

27. Parent Entity Financial Information

a) Summary financial information

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

	SCMGL	
	2014 \$'000	2013 \$'000
Statement of Financial Position		
Current assets	6,726	6,752
Non-current assets	1,234,800	1,739,285
Total assets	1,241,526	1,746,037
Current liabilities	24,524	65,391
Non-current liabilities	198	227
Total liabilities	24,722	65,618
Net assets	1,216,804	1,680,419
Issued capital	1,589,290	1,589,290
Reserves	3,503	2,324
Retained profits – 2013 reserve	88,805	88,805
Accumulated losses – 2014 reserve	(464,794)	-
Total equity	1,216,804	1,680,419
Profit / (loss) for the year	(401,328)	54,112
Total comprehensive income	(401,328)	54,112

27. Parent Entity Financial Information (continued)

As a result of the impairment of the Regional CGU, the carrying value of the parent entity's investment in the relevant subsidiaries has been reviewed for impairment. The carrying amount of the investment was compared with the recoverable amount of the subsidiaries and resulted in an impairment of \$481.6 million.

b) Guarantees entered into by the parent entity

	2014 \$'000	2013 \$'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 2014 (30 June 2013 – nil). The parent entity has not given any unsecured guarantees at 30 June 2014 (30 June 2013 - nil).

c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2014 (30 June 2013: \$nil).

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

As at 30 June 2014, the parent entity had no contractual commitments (30 June 2013: \$nil).

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	2014	2013
Balance at beginning of the year	4,983,487	2,615,908
Granted during the year	1,199,171	2,921,124
Exercised during the year	(388,462)	(264,076)
Forfeited during the year	(1,146,251)	(289,469)
Balance at end of year	4,647,945	4,983,487
Exercisable at end of the year	-	-

28. Share-Based Payments (continued)

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

	2013 -Tranche 1	2013 -Tranche 2	2013 -Tranche 3	2013 -Tranche 4
Grant date share price	\$1. 61	\$1.61	\$1.61	\$1.61
Fair value at grant date	\$1.00	\$1.02	\$1.03	\$1.03
Exercise price	Nil	Nil	Nil	Nil
Dividend yield	5.79%	5.79%	5.79%	5.79%
Risk free interest rate	2.60%	2.74%	2.99%	3.29%
Share price & TSR volatility	37.99%	37.99%	37.99%	37.99%
Peer group TSR volatility	n/a*	n/a*	n/a*	n/a*
Peer group TSR spread	n/a*	n/a*	n/a*	n/a*
Correlation	n/a*	n/a*	n/a*	n/a*

* Due to changes in the Monte-Carlo simulation-based valuation model, TSR volatility and spread is now assessed on an individual comparator company basis rather a peer group comparator basis.

	2012 -Tranche 1	2012 -Tranche 2	2012 -Tranche 3	2012 -Tranche 4
Grant date share price	\$1. 05	\$1.05	\$1.05	\$1.05
Fair value at grant date	\$0.40	\$0.49	\$0.53	\$0.54
Exercise price	Nil	Nil	Nil	Nil
Dividend yield	9.76%	9.76%	9.76%	9.76%
Risk free interest rate	3.03%	2.95%	3.05%	3.16%
Share price & TSR volatility	38.76%	38.76%	38.76%	38.76%
Peer group TSR volatility	n/a*	n/a*	n/a*	n/a*
Peer group TSR spread	n/a*	n/a*	n/a*	n/a*
Correlation	n/a*	n/a*	n/a*	n/a*

* Due to changes in the Monte-Carlo simulation-based valuation model, TSR volatility and spread is now assessed on an individual comparator company basis rather a peer group comparator basis.

	2011 -Tranche 1	2011 -Tranche 2	2011 -Tranche 3	2011 -Tranche 4
Grant date share price	\$1.05	\$1.05	\$1.05	\$1.05
Fair value at grant date	\$0.51	\$0.62	\$0.67	\$0.68
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
Fair value at grant date	\$0.86	\$0.88	\$0.90	\$0.90
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%

The following outlines share rights granted to key management personnel.

2014	Balance at start of year No.	Additional KMP added for 2014	Granted as compensation No.	Forfeited No.	Vested / Exercised 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	1,467,253	-	340,882	(219,002)	(98,768)	1,490,365
Stephen Kelly	709,539	-	-	(505,914)	(203,625)	-
Peter Lewis	-	-	-	-	-	-
Guy Dobson	288,944	-	97,394	-	-	386,338
Craig Bruce	397,171	-	122,958	(171,354)	-	348,775
Andrea Ingham	192,629	-	97,394	-	-	290,023
Clive Dickens	n/a	192,629	97,394	-	-	290,023
	3,055,536	192,629	756,022	(896,270)	(302,393)	2,805,524

Note: No performance rights vested at 1 July 2014.

28. Share-Based Payments (continued)

2013	Balance at start of year No.	Granted as compensation No.	Forfeited No.	Vested / Exercised 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	925,613	674,203	(31,550)	(101,013)	1,467,253
Stephen Kelly	487,532	428,464	(148,735)	(57,722)	709,539
Guy Dobson	-	288,944	-	-	288,944
Craig Bruce	211,072	267,790	(81,691)	-	397,171
Andrea Ingham	-	192,629	-	-	192,629
	1,624,217	1,852,030	(261,976)	(158,735)	3,055,536

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.

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	(resigned 30 June 2014)
Michael Carapiet	
Peter Harvie	
Marina Darling	(resigned 16 January 2014)

Executives

Rhys Holleran	CEO
Peter Lewis	CFO (appointed 16 June 2014 until 17 July 2014)
Stephen Kelly	CFO (until 19 January 2014)
Guy Dobson	Chief Content Officer
Craig Bruce	Head of Content
Andrea Ingham	National Sales Director
Clive Dickens	Director of Digital Strategy and Innovation

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	
	2014	2013
	\$'000	\$'000
Short-term employee benefits	4,835,675	4,631,757
Post-employment benefits	176,014	146,518
Other long-term benefits	(32,618)	275,601
Termination payments	74,296	-
Share-based payments	759,649	722,150
	<u>5,813,016</u>	<u>5,776,026</u>

Clive Dickens was added as Key Management Personnel in 2014. There has only been a CFO for part of the year. The functions of the CFO are currently being performed by the CEO and other senior members of the finance team.

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.

2014	Balance at start of year	Changes during year	Balance at end of year
Directors			
Max Moore-Wilton	1,000,000	-	1,000,000
Leon Pasternak	1,064,216	-	1,064,216
Chris de Boer	148,571	-	148,571
Tony Bell	172,767	n/a	n/a
Michael Carapiet	1,347,900	-	1,347,900
Peter Harvie	-	-	-
Marina Darling	100,000	n/a	n/a
Executives			
Rhys Holleran	355,055	105,625	460,680
Peter Lewis	-	-	-
Stephen Kelly	142,170	n/a	n/a
Guy Dobson	-	-	-
Craig Bruce	-	-	-
Andrea Ingham	-	-	-
Clive Dickens	-	-	-
	4,330,679	105,625	4,021,367

29. Related Party Disclosures (continued)

2013	Balance at start of year	Changes during year	Balance at end of year
Directors			
Max Moore-Wilton	1,857,143	(857,143)	1,000,000
Leon Pasternak	1,064,216	-	1,064,216
Chris de Boer	148,571	-	148,571
Tony Bell	160,118	12,649	172,767
Michael Carapiet	1,347,900	-	1,347,900
Peter Harvie	-	-	-
Marina Darling	-	100,000	100,000
Executives			
Rhys Holleran	255,899	99,156	355,055
Stephen Kelly	84,448	57,722	142,170
Guy Dobson	-	-	-
Craig Bruce	-	-	-
Cathy Thomas	-	-	-
Andrea Ingham	-	-	-
	4,918,295	(587,616)	4,330,679

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 (2013: nil).

d) Other transactions with Key Management Personnel

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

e) Subsidiaries and Associates

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

f) Other related party transactions

During the year, Macquarie received or was entitled to receive \$16,156,252 (2013: \$17,053,821) as dividends on securities held.

At 30 June 2014, the Group had funds totalling \$6,466,996 (2013: \$407,809) 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 \$7,886 (2013: \$110,139).

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.

31. Commitments

	Consolidated	
	2014 \$'000	2013 \$'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	1,258	2,259
Later than one year but not later than 5 years	-	-
	<u>1,258</u>	<u>2,259</u>
Operating leases		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	21,836	22,556
Later than one year but not later than 5 years	56,140	61,032
Later than 5 years	47,587	58,438
	<u>125,563</u>	<u>142,026</u>
Finance lease payment commitments		
Finance lease commitments are payable as follows:		
Within one year	106	205
Later than one year but not later than 5 years	245	79
Greater than five years	4	-
	<u>355</u>	<u>284</u>
Less: Future lease finance charges	<u>(46)</u>	<u>(15)</u>
	<u>309</u>	<u>269</u>
Lease liabilities provided for in the financial statements:		
Current	84	194
Non-current	<u>225</u>	<u>75</u>
Total lease liability	<u>309</u>	<u>269</u>

32. Events Occurring after Balance Sheet Date

Peter Lewis resigned from the position of CFO, effective 30 July 2014. The Group announced the resignation of Peter Lewis in an ASX announcement made on 17 July 2014. The Group announced on 18 August 2014 that Nick McKechnie has been appointed to the position of CFO commencing 8 September 2014. In the interim, the functions of the CFO are being performed by the CEO and other senior members of the finance team.

On 19 August 2014, the Board announced the appointment of Rob Murray, Kathy Gramp and Glen Boreham as Non-Executive Independent Directors. They will commence duties as of 1 September 2014 and stand for election at the forthcoming AGM in October this year.

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 51 to 110 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
19 August 2014



Leon Pasternak
Deputy Chairman
Sydney, Australia
19 August 2014



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 2014, 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 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. Those 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 consolidated 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.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

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 2014 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*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

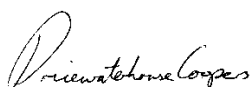
We have audited the remuneration report included in pages 26 to 48 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our 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 2014 complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Southern Cross Media Group Limited (the company) for the year ended 30 June 2014 included on Southern Cross Media Group Limited's web site. The company's directors are responsible for the integrity of Southern Cross Media Group Limited's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. 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 audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.



PricewaterhouseCoopers



Chris Dodd
Partner

Melbourne
19 August 2014