



ABN 91 116 024 536
APPENDIX 4D [RULE 4.2A.3]
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Results for Announcement to the Market
(All comparisons to 31 December 2013)

| Key Financial Information | \$'000 | up/down | % movement |
|---|---------------|----------------|-----------------------|
| Revenue from ordinary activities | 307,578 | Down | 7.3% |
| Net profit from ordinary activities after tax (including significant items) | 34,666 | Down | 24.5% |
| Net profit from ordinary activities after tax (excluding significant items) | 34,666 | Down | 24.5% |

| Dividend Information | Amount per share cents | Franked amount per share cents | Tax rate for franking credit |
|--|---------------------------------------|---|---|
| Final 2014 dividend per share (paid 3 November 2014) | 3.0 | 3.0 | 30% |
| Interim 2015 dividend per share (to be paid 12 May 2015) | 3.0 | 3.0 | 30% |

Interim 2015 Dividend Dates

| | |
|------------------|--------------|
| Ex-dividend date | 1 April 2015 |
| Record date | 7 April 2015 |
| Payment date | 12 May 2015 |

| | 31 Dec 14 | 31 Dec 13 |
|---|------------------|------------------|
| Net Tangible Assets Per Security | \$(0.54) | \$ (0.63) |

Dividend Reinvestment Plan (DRP)

The DRP will apply to the fully franked dividend of 3.0 cents per share announced today.

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 pricing period for DRP purposes will be 20 trading days, starting on 9 April 2015 and concluding on 6 May 2015 (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 12 May 2015 to shareholders registered as at 5.00 pm (AEST) on 7 April 2015.

DRP application forms must be received by SCMG's registry, Computershare Investor Services, by 5:00 pm (AEST) on 8 April 2015 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 8 April 2015.

Additional Appendix 4D disclosure requirements can be found in the directors' report, financial statements and notes to the financial statements contained in the Southern Cross Austereo Interim Financial Report for the Half Year ended 31 December 2014. This report is based on the consolidated Interim Financial Report for the Half Year ended 31 December 2014 which has been reviewed by PricewaterhouseCoopers with the Independent Auditor's Report included in the Interim Financial Report.



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INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 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

SOUTHERN CROSS AUSTEREO INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2014

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SOUTHERN CROSS AUSTereo INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Directors' Report

The directors of Southern Cross Media Group Limited ("the Company") submit the following report for Southern Cross Austereo, being Southern Cross Media Group Limited and its subsidiaries ("the Group"), for the half year ended 31 December 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 financial half year, unless otherwise stated, and up to the date of this report:

- Max Moore-Wilton (Chairman)
- Leon Pasternak
- Chris de Boer
- Peter Harvie
- Kathy Gramp (effective 1 September 2014)
- Rob Murray (effective 1 September 2014)
- Glen Boreham (effective 1 September 2014)
- Michael Carapiet (resigned 21 October 2014)

Subsequent to the signing of the interim financial report for the half year ended 31 December 2014, Max Moore-Wilton will resign as Director and Chairman of the Company effective 25 February 2015, and the Company will appoint Peter Bush as Director and Chairman of the Company effective 25 February 2015.

Principal Activities

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

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

Review and Results of Operations

The Group reported revenue of \$307.6 million for the 6 month period ended 31 December 2014, a decrease of 7.3% from \$331.9 million for the same period in the prior year. EBITDA for the 6 months was \$85.8 million decreasing 18.2% from \$105.0 million in the same period in the prior year. Net profit after tax has decreased by 24.5% to \$34.7 million for the 6 months ended 31 December 2014, from \$45.9 million in the same period in the prior year.

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

SOUTHERN CROSS AUSTEREO INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Distributions and Dividends

The final dividend for the year ended 30 June 2014 was 3.0 cents per fully paid share, fully franked and was paid on 3 November 2014 by the Company. Since the end of the financial half year ended 31 December 2014 the directors have declared an interim ordinary dividend of 3.0 cents per fully paid share, fully franked (31 December 2013 interim dividend: 4.5 cents per fully paid share, fully franked). The interim dividend will be paid on 12 May 2015 by the Company.

Significant Changes in State of Affairs

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

Events Occurring After Balance Sheet Date

On 19 January 2015, Southern Cross Austereo Pty Ltd, a subsidiary of the Company, entered into \$320 million forward start interest rates swaps, commencing 8 April 2015 and maturing 8 January 2018. The average rate of the interest rate swaps is 2.5%. The \$350 million current interest rate swaps will mature on 26 March 2015, with an average rate of 5.9%.

No other matters or circumstances have arisen since the end of the half year that have significantly affected or may significantly affect the operations of the Group, the results of these operations in future financial years or the state of affairs of those entities in periods subsequent to the half year ended 31 December 2014.

Directors' Holdings of Shares

The aggregate number of Company fully paid shares held directly, indirectly or beneficially by directors of the Company at the date of this report is 2,733,786 (30 June 2014: 3,560,687).

Auditor's Independence Declaration

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

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

The Company is a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and interim financial report. Amounts in the directors' report and the interim financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise indicated.

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



Max Moore-Wilton
Chairman
Southern Cross Media Group Limited
Sydney, Australia
24 February 2015



Leon Pasternak
Deputy Chairman
Southern Cross Media Group Limited
Sydney, Australia
24 February 2015



Auditor's Independence Declaration

As lead auditors for the review of Southern Cross Media Group Limited for the half-year ended 31 December 2014, we declare that to the best of our knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'Chris Dodd'.

Chris Dodd
Partner
PricewaterhouseCoopers

Melbourne
24 February 2015

A handwritten signature in black ink, appearing to read 'Sam Loble'.

Sam Loble
Partner
PricewaterhouseCoopers

Melbourne
24 February 2015

SOUTHERN CROSS AUSTEREO INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Statement of Comprehensive Income

| | Note | 1 Jul 14 -31 Dec 14 \$'000 | 1 Jul 13 -31 Dec 13 \$'000 |
|---|------|----------------------------------|----------------------------------|
| Revenue from continuing operations | 2 | 307,578 | 331,871 |
| Broadcast and production costs | | (53,846) | (54,618) |
| Employee expenses | | (84,297) | (86,735) |
| Selling costs | | (33,173) | (35,620) |
| Occupancy costs | | (15,504) | (15,379) |
| Promotions and marketing | | (9,536) | (7,213) |
| Administration costs | | (25,450) | (27,181) |
| Share of net profits/(losses) of investments accounted for using the equity method | | 65 | (131) |
| Profit before depreciation, amortisation, interest, fair value movements on financial derivatives and income tax expense for the half year | | 85,837 | 104,994 |
| Depreciation and amortisation expense | 2 | (13,576) | (13,683) |
| Interest expense and other borrowing costs | 2 | (21,131) | (26,380) |
| Interest revenue | 2 | 661 | 1,788 |
| Profit before income tax expense for the half year | | 51,791 | 66,719 |
| Income tax expense | 3 | (17,125) | (20,823) |
| Profit after income tax for the half year | | 34,666 | 45,896 |
| Other comprehensive income | | | |
| Other comprehensive income for the half year, net of tax, that will be reclassified to profit and loss: | | | |
| Changes to fair value of cash flow hedges, net of tax | | 3,487 | 2,564 |
| Total comprehensive profit for the half year attributable to shareholders | | 38,153 | 48,460 |
| Earnings per share attributable to the ordinary equity holders of the Company: | | | |
| Basic earnings per share | | 4.9 | 6.5 |
| Diluted earnings per share | | 4.9 | 6.5 |

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

SOUTHERN CROSS AUSTERO INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Statement of Financial Position

| | Note | 31 Dec 14 \$'000 | 30 June 14 \$'000 |
|---|------|---------------------|----------------------|
| Current assets | | | |
| Cash and cash equivalents | | 76,932 | 62,090 |
| Receivables | | 118,270 | 115,498 |
| Total current assets | | <u>195,202</u> | <u>177,588</u> |
| Non-current assets | | | |
| Receivables | | 4,363 | 5,843 |
| Investments accounted for using the equity method | | 2,945 | 2,880 |
| Property, plant and equipment | | 170,749 | 171,343 |
| Intangible assets | 5 | 1,650,689 | 1,650,612 |
| Deferred tax assets | | 2,031 | 5,396 |
| Total non-current assets | | <u>1,830,777</u> | <u>1,836,074</u> |
| Total assets | | <u>2,025,979</u> | <u>2,013,662</u> |
| Current liabilities | | | |
| Payables | | 70,157 | 85,087 |
| Provisions | | 20,017 | 20,643 |
| Borrowings | | 94 | 84 |
| Current tax liabilities | | 10,802 | 22,956 |
| Derivative financial instruments | 7 | 3,216 | 8,946 |
| Total current liabilities | | <u>104,286</u> | <u>137,716</u> |
| Non-current liabilities | | | |
| Payables | | 5,410 | - |
| Provisions | | 15,112 | 15,864 |
| Borrowings | | 646,907 | 646,472 |
| Total non-current liabilities | | <u>667,429</u> | <u>662,336</u> |
| Total liabilities | | <u>771,715</u> | <u>800,052</u> |
| Net assets | | <u>1,254,264</u> | <u>1,213,610</u> |
| Equity | | | |
| Contributed equity | 8 | 1,342,035 | 1,686,878 |
| Reserves | | 1,995 | (1,993) |
| Other equity transaction | | (77,406) | (77,406) |
| Accumulated losses | | (12,658) | (394,167) |
| Equity attributable to equity holders | | <u>1,253,966</u> | <u>1,213,312</u> |
| Non-controlling interest | | 298 | 298 |
| Total equity | | <u>1,254,264</u> | <u>1,213,610</u> |

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

SOUTHERN CROSS AUSTERO INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Statement of Changes in Equity

| | Contributed equity \$'000 | Reserves \$'000 | Other equity transactions \$'000 | (Accumulated losses) /retained profits \$'000 | Total \$'000 | Non-controlling interest \$'000 | Total equity \$'000 |
|--|---------------------------------|--------------------|--|--|-----------------|---------------------------------------|------------------------|
| Total equity at 1 July 2014 | 1,686,878 | (1,993) | (77,406) | (394,167) | 1,213,312 | 298 | 1,213,610 |
| Profit for the half year | - | - | - | 34,666 | 34,666 | - | 34,666 |
| Other comprehensive income | - | 3,487 | - | - | 3,487 | - | 3,487 |
| Total comprehensive income | - | 3,487 | - | 34,666 | 38,153 | - | 38,153 |
| Transactions with equity holders in their capacity as equity holders: | | | | | | | |
| Employee share entitlements | - | 501 | - | - | 501 | - | 501 |
| Shares issued, net of transaction costs | 23,157 | - | - | - | 23,157 | - | 23,157 |
| Capital reduction per Corporations Act Section 258F | (368,000) | - | - | 368,000 | - | - | - |
| Dividends paid | - | - | - | (21,157) | (21,157) | - | (21,157) |
| | (344,843) | 501 | - | 346,843 | 2,501 | - | 2,501 |
| Total equity at 31 December 2014 | 1,342,035 | 1,995 | (77,406) | (12,658) | 1,253,966 | 298 | 1,254,264 |

SOUTHERN CROSS AUSTEREO INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Statement of Changes in Equity (continued)

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

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

SOUTHERN CROSS AUSTEREO INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Statement of Cash Flows

| | Note | 1 Jul 14 - 31 Dec 14 \$'000 | 1 Jul 13 - 31 Dec 13 \$'000 |
|---|------|-----------------------------------|-----------------------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 339,994 | 367,832 |
| Payments to suppliers/employees | | (265,255) | (271,086) |
| Government grants received | | 483 | 92 |
| Interest received from external parties | | 661 | 1,788 |
| Tax paid | | (27,409) | (23,813) |
| Net cash flows from operating activities | | 48,474 | 74,813 |
| Cash flows from investing activities | | | |
| Payments for purchase of property, plant and equipment | | (12,507) | (15,693) |
| Proceeds from sale of property, plant and equipment | | 38 | 123 |
| Payments for intangibles | | (77) | (48) |
| Payments for purchase of investments | | - | (132) |
| Net cash flows used in investing activities | | (12,546) | (15,750) |
| Cash flows from financing activities | | | |
| Dividends paid to security holders | 4 | (7,234) | (31,729) |
| Repayment of borrowings from external parties | | - | (10,000) |
| Finance lease payments | | (189) | (582) |
| Proceeds from DRP underwrite | | 7,234 | - |
| Interest paid to external parties | | (20,897) | (26,681) |
| Net cash flows used in financing activities | | (21,086) | (68,992) |
| Net increase/(decrease) in cash and cash assets held | | 14,842 | (9,929) |
| Cash assets at the beginning of the half-year | | 62,090 | 102,906 |
| Cash assets at the end of the half-year | | 76,932 | 92,977 |

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

SOUTHERN CROSS AUSTEREO INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

This condensed consolidated interim financial report for the half year reporting period ended 31 December 2014 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of the Company for the year ended 30 June 2014 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

(a) Basis of Preparation

Compliance with IFRS

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

Historical cost convention

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

Comparative figures

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

(b) Rounding of Amounts

The Company is a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the interim financial report. Amounts in the interim financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(c) Critical Accounting Estimates and Judgement

The preparation of the interim financial report in accordance with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. Management believes the estimates used in the preparation of the interim financial report are reasonable. Actual results in the future may differ from those reported.

SOUTHERN CROSS AUSTEREO INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Notes to the Financial Statements (continued)

(c) Critical Accounting Estimates and Judgement (continued)

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

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

In accordance with the Group's accounting policy the Group tests at least annually whether goodwill and intangible assets with indefinite useful lives have suffered any impairment and when there is an indication of impairment. The tests incorporate assumptions regarding future events which may or may not occur, resulting in the need for future revisions of estimates. There are also judgements involved in determination of cash generating units.

(d) Hedge accounting

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

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

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

(e) 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.

SOUTHERN CROSS AUSTERO INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Notes to the Financial Statements (continued)

(f) New accounting standards and interpretations

The half-year financial statements have been prepared on the basis of accounting policies consistent with those applied in the 30 June 2014 Annual Report, with the exception of the following new accounting standards and interpretations which became effective from 1 July 2014 .

- AASB 2012-3 Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014).
- AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014).
- AASB 2013-5 Amendments to Australian Accounting Standards - Investment Entities (effective 1 January 2014).
- AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting - [AASB 139] (effective 1 January 2014).
- Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle (effective 1 July 2014).
- AASB Interpretation 21 Levies (effective 1 January 2014).

The adoption of the above standards, amendments and interpretation did not result in changes in accounting policies nor an adjustment to the amounts recognised in the interim financial report. They also do not significantly affect the disclosures in the notes to the financial statements.

(g) Accounting Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2014 and 30 June 2015 reporting periods. Initial application of these Standards and Interpretations are not expected to affect any of the amounts recognised in the interim financial report and are not expected to change the disclosures presently made in relation to the Group.

SOUTHERN CROSS AUSTEREO INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Notes to the Financial Statements (continued)

2. Profit for the Half Year

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

| | 1 Jul 14 - 31 Dec 14 \$'000 | 1 Jul 13 - 31 Dec 13 \$'000 |
|--|-----------------------------------|-----------------------------------|
| Revenue from continuing operations | | |
| Sales revenue | 304,155 | 328,460 |
| Government grant revenue | 483 | 92 |
| Rental revenue | 2,940 | 3,319 |
| | <u>307,578</u> | <u>331,871</u> |
| Interest revenue | | |
| External banks | <u>661</u> | <u>1,788</u> |
| Depreciation and amortisation expense | | |
| Land & buildings | 529 | 491 |
| Plant & equipment | 11,964 | 12,128 |
| Leasehold improvements | 1,057 | 1,036 |
| Plant & equipment under finance leases | 26 | 28 |
| Total depreciation and amortisation expense | <u>13,576</u> | <u>13,683</u> |
| Interest expense and other borrowing costs | | |
| External banks | 20,696 | 24,074 |
| Amortisation of borrowing costs | 417 | 2,257 |
| Finance charges on capitalised leases | 18 | 49 |
| Total interest expense and other borrowing costs | <u>21,131</u> | <u>26,380</u> |

SOUTHERN CROSS AUSTEREO INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Notes to the Financial Statements (continued)

3. Income Tax Expense

| | 1 Jul 14 - 31 Dec 14 \$'000 | 1 Jul 13 - 31 Dec 13 \$'000 |
|---|-----------------------------------|-----------------------------------|
| Income tax expense | | |
| Current Tax | (13,760) | (19,192) |
| Deferred Tax | (3,365) | (1,631) |
| | <u>(17,125)</u> | <u>(20,823)</u> |
| Deferred income tax expense included in income tax expense comprises: | | |
| Increase/(decrease) in net deferred tax assets | 356 | (4,488) |
| Adjustment for prior years | (3,721) | 2,857 |
| | <u>(3,365)</u> | <u>(1,631)</u> |

4. Dividends Paid

| | 1 Jul 14 - 31 Dec 14 \$'000 | 1 Jul 13 - 31 Dec 13 \$'000 |
|--|-----------------------------------|-----------------------------------|
| The dividends were paid/payable as follows: | | |
| Final dividend paid for the year ended 30 June – fully franked at the tax rate of 30% | 21,157 | 31,729 |
| | <u>21,157</u> | <u>31,729</u> |
| Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan were as follows: | | |
| Satisfied by cash | 7,234 | 31,729 |
| Satisfied by issue of shares | 13,923 | - |
| | <u>21,157</u> | <u>31,729</u> |
| | Cents per share | Cents per share |
| Final dividend paid for the year ended 30 June | 3.0 | 4.5 |

For the final 30 June 2014 dividend, the company operated a dividend reinvestment plan ("DRP"), with the shares being issued by the Company to shareholders (30 June 2013 dividend: Shares purchased on market by the Company to shareholders). In respect of the 30 June 2014 DRP, the Company entered into a DRP Shortfall Placement Agreement with CBA Equities Limited (CBA Equities) that involved CBA Equities subscribing for shares with a value of up to 100% of any shortfall in DRP Participation by shareholders.

**SOUTHERN CROSS AUSTEREO
INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

Notes to the Financial Statements (continued)

5. Non-Current Assets – Intangible Assets

| | 31 Dec 14 \$'000 | 30 Jun 14 \$'000 |
|--|---------------------|---------------------|
| Commercial radio/TV broadcast licences – at cost | 1,589,574 | 1,589,574 |
| Less impairment expense | (63,968) | (63,968) |
| Total licences – net | 1,525,606 | 1,525,606 |
| Tradenames – at cost | 450 | 373 |
| Less impairment expense | - | - |
| Total tradenames – net | 450 | 373 |
| Brands – at cost | 88,900 | 88,900 |
| Less impairment expense | - | - |
| Total brands – net | 88,900 | 88,900 |
| Goodwill – at cost | 352,129 | 352,129 |
| Less impairment expense | (316,396) | (316,396) |
| Total goodwill – net | 35,733 | 35,733 |
| Total intangibles – at cost | 2,031,053 | 2,031,976 |
| Less total accumulated amortisation and impairment charges | (380,364) | (381,364) |
| Total intangibles – net | 1,650,689 | 1,650,612 |

**SOUTHERN CROSS AUSTEREO
INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

Notes to the Financial Statements (continued)

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

| | 31 Dec 14 | 30 Jun 14 |
|--|------------------|------------------|
| | \$'000 | \$'000 |
| Commercial radio/TV broadcast licences | | |
| Carrying amount at the beginning of the financial year | 1,525,606 | 1,589,574 |
| Impairment expense | - | (63,968) |
| Carrying amount at the end of the financial period | <u>1,525,606</u> | <u>1,525,606</u> |
| Tradenames | | |
| Carrying amount at the beginning of the financial year | 373 | 279 |
| Additions | 77 | 94 |
| Carrying amount at the end of the financial period | <u>450</u> | <u>373</u> |
| Brands | | |
| Carrying amount at the beginning of the financial year | 88,900 | 88,900 |
| Carrying amount at the end of the financial period | <u>88,900</u> | <u>88,900</u> |
| Goodwill | | |
| Carrying amount at the beginning of the financial year | 35,733 | 352,129 |
| Impairment expense | - | (316,396) |
| Carrying amount at the end of the financial period | <u>35,733</u> | <u>35,733</u> |
| Total intangibles – net | <u>1,650,689</u> | <u>1,650,612</u> |

(a) Impairment tests for licences, tradenames and goodwill

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

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

SOUTHERN CROSS AUSTEREO INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Notes to the Financial Statements (continued)

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

Information relating to associates is set out below:

| Name of company | Country of origin | Principal activity | Ownership interest % | |
|--|-------------------|--|----------------------|-------------------|
| | | | 31 Dec 14 | 30 Jun 14 |
| Gold Coast Translator Pty Ltd | Australia | Rental of a transmission facility | 25.0 | 25.0 |
| Regional Tam Pty Ltd | Australia | Acquisition and distribution of TV ratings | 36.0 | 36.0 |
| Tasmanian Digital Television Pty Ltd | Australia | Operation of a TV station - Tasmania | 50.0 | 50.0 |
| Darwin Digital Television Pty Ltd | Australia | Operation of a TV station – Darwin | 50.0 | 50.0 |
| Central Digital Television Pty Limited | Australia | Operation of a TV station – Central | 50.0 | 50.0 |
| Eastern Australia Satellite Broadcasters Pty Ltd | Australia | Building of digital regional assets | 50.0 | 50.0 |
| Black Mountain Broadcasters Pty Ltd | Australia | Dormant entity | 50.0 | 50.0 |
| Sydney FM Facilities Pty Ltd | Australia | Rental of a transmission facility | 50.0 | 50.0 |
| Melbourne FM Facilities Pty Ltd | Australia | Rental of a transmission facility | 50.0 | 50.0 |
| Perth FM Facilities Pty Ltd | Australia | Rental of a transmission facility | 66.7 ¹ | 66.7 ¹ |
| Digital Radio Broadcasting Sydney Pty Ltd | Australia | Digital radio broadcasting | 22.6 | 22.6 |
| Digital Radio Broadcasting Melbourne Pty Ltd | Australia | Digital radio broadcasting | 18.2 ² | 18.2 ² |
| Digital Radio Broadcasting Brisbane Pty Ltd | Australia | Digital radio broadcasting | 25.0 | 25.0 |
| Digital Radio Broadcasting Adelaide Pty Ltd | Australia | Digital radio broadcasting | 33.3 | 33.3 |
| Digital Radio Broadcasting Perth Pty Ltd | Australia | Digital radio broadcasting | 33.3 | 33.3 |
| Digital 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 |
| Get Outside Group Pty Ltd | Australia | Media Entertainment Business | 50.0 | 50.0 |

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.

**SOUTHERN CROSS AUSTEREO
INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

Notes to the Financial Statements (continued)

7. Fair value measurement of financial instruments

(a) Fair value hierarchy

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

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

The Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 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 31 December 2014 is \$3,216,000 (30 June 2014: \$8,946,000).

(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 \$646,907,000 of non-current borrowings at 31 December 2014 (30 June 2014: \$646,472,000) for which the carrying amount approximates fair value in the balance sheet.

SOUTHERN CROSS AUSTEREO INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Notes to the Financial Statements (continued)

8. Contributed Equity

| | 31 Dec 14 \$'000 | 30 Jun 14 \$'000 |
|--------------------|---------------------|---------------------|
| Ordinary Shares | 1,342,035 | 1,686,878 |
| Contributed equity | 1,342,035 | 1,686,878 |

On 22 December 2014, the share capital of the Company was reduced in accordance with Section 258F of the Corporations Act. The amount of the reduction was \$368 million and represented the value of paid up share capital that was not represented by available assets.

| | 1 Jul 14 - 31 Dec 14 \$'000 | 1 Jul 13 - 31 Dec 13 \$'000 |
|--|-----------------------------------|-----------------------------------|
| On issue at the beginning of the half year | 1,686,878 | 1,686,878 |
| Capital reduction on 22 December 2014 | (368,000) | - |
| Shares issued for equity component in talent contracts | 2,000 | - |
| Shares issued in relation to the DRP underwrite on 3 November 2014 | 7,234 | - |
| Shares issued in relation to the DRP on 3 November 2014 | 13,923 | - |
| On issue at the end of the half year | 1,342,035 | 1,686,878 |

| | 1 Jul 14 - 31 Dec 14 Number of Securities '000 | 1 Jul 13 - 31 Dec 13 Number of Securities '000 |
|--|--|--|
| On issue at the beginning of the half year | 705,247 | 704,858 |
| Shares issued for equity component in talent contracts | 2,174 | - |
| Shares issued in relation to the DRP underwrite on 3 November 2014 | 8,067 | - |
| Shares issued in relation to the DRP on 3 November 2014 | 15,832 | - |
| Shares issued as part of Long Term Incentive Plan | - | 241 |
| On issue at the end of the half year | 731,320 | 705,099 |

9. Segment Information

(a) Description of operating segments

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

The chief operating decision maker is the Group CEO and the Company Board of Directors. The Board has determined that the Group has two operating segments being the Regional free to air broadcasting segment and the Metro free to air broadcasting segment.

SOUTHERN CROSS AUSTereo
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FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Notes to the Financial Statements (continued)

9. Segment Information (continued)

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

Free to air broadcasting consists of the commercial radio, television and online broadcasting business held throughout Australia. Revenue is generated from the development and sale of advertising solutions for clients on these mediums.

With free to air broadcasting as the only reporting segment in both the current and prior financial half years, the information required to be disclosed per AASB 8 is contained on the face of the Statement of Comprehensive Income and the Statement of Financial Position.

10. Events Occurring after Balance Sheet Date

On 19 January 2015, Southern Cross Austereo Pty Ltd, a subsidiary of the Company, entered into \$320 million forward start interest rates swaps, commencing 8 April 2015 and maturing 8 January 2018. The average rate of the interest rate swaps is 2.5%. The \$350 million current interest rate swaps will mature on 26 March 2015, with an average rate of 5.9%.

No other matters or circumstances have arisen since the end of the half year that have significantly affected or may significantly affect the operations of the Group, the results of these operations in future financial years or the state of affairs of those entities in periods subsequent to the half year ended 31 December 2014.

**SOUTHERN CROSS AUSTereo
INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

Directors' Declaration

The directors of the Company declare that:

- (a) the financial statements and notes set out on pages 4 to 19 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the financial position of the Group as at 31 December 2014 and the financial performance of the Group, as represented by the results of its operations, changes in equity, and cash flows, for the interim financial period ended on that date; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



Max Moore-Wilton
Chairman
Sydney, Australia
24 February 2015



Leon Pasternak
Deputy Chairman
Sydney, Australia
24 February 2015



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Southern Cross Media Group Limited (the Company), which comprises the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Southern Cross Austereo (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Southern Cross Media Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date;

PricewaterhouseCoopers, ABN 52 780 433 757

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- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of the company for the half-year ended 31 December 2014 included on Southern Cross Media Group Limited's web site. The company's directors are responsible for the integrity of the Southern Cross Media Group Limited website. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

A stylized, cursive signature of PricewaterhouseCoopers.

PricewaterhouseCoopers

A stylized, cursive signature of Chris Dodd.

Chris Dodd
Partner

Melbourne
24 February 2015

A stylized, cursive signature of Sam Lobley.

Sam Lobley
Partner

Melbourne
24 February 2015