SOUTHERN CROSS AUSTEREO
*absolutely engaging*

# ABN 91 116 024 536
# APPENDIX 4E [RULE 4.3A]
# PRELIMINARY FINAL REPORT
# FOR THE YEAR ENDED 30 JUNE 2015



## Results for Announcement to the Market
## (All comparisons to 30 June 2014)

| **Key Financial Information** | **$'000** | **up/down** | **% movement** |
|---|---|---|---|
| Revenue from ordinary activities | 611,120 | Down | 4.6% |
| Net loss from ordinary activities after tax (including significant items) | (284,950) | Up | 3.7% |
| Net profit from ordinary activities after tax (excluding significant items) | 64,783 | Down | 18.6% |

| **Dividend Information** | **Amount per share cents** | **Franked amount per share cents** | **Tax rate for franking credit** |
|---|---|---|---|
| Interim 2015 dividend per share (paid 12 May 2015) | 3.0 | 3.0 | 30% |
| Final 2015 dividend per share (to be paid 4 November 2015) | 3.0 | 3.0 | 30% |

| **Final 2014 Dividend Dates** | |
|---|---|
| Ex-dividend date | 25 September 2015 |
| Record date | 29 September 2015 |
| Payment date | 4 November 2015 |

| | **30 Jun 15** | **30 Jun 14** |
|---|---|---|
| **Net Tangible Assets Per Security** | $(0.47) | $(0.62) |

**Dividend Reinvestment Plan ("DRP")**

The DRP will apply to the fully franked dividend of 3.0 cents per share announced by Chairman Peter Bush.

The pricing period for DRP purposes will be 20 trading days, starting on 1 October 2015 and concluding on 28 October 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.

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

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 4 November 2015 to shareholders registered as at 5:00 pm (AEST) on 29 September 2015.

DRP application forms must be received by SCMG's registry, Computershare Investor Services, by 5:00 pm (AEST) on 30 September 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 30 September 2015.

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 2015.  This report is based on the consolidated Financial Report for the Year Ended 30 June 2015 which has been reviewed by PricewaterhouseCoopers with the Independent Auditor's Report included in the Financial Report.



# FINANCIAL REPORT

## FOR YEAR ENDED 30 JUNE 2015

SOUTHERN CROSS AUSTEREO

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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.

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The financial statements were authorised for issue by the Directors on 26 August 2015. The Directors have the power to amend and re-issue the financial statements.

# Corporate Governance Statement

The statement outlining Southern Cross Media Group Limited's corporate governance framework and practices in the form of a report against the Australian Stock Exchange Corporate Governance Principles and Recommendations, 3rd Edition, will be available on the Southern Cross Austereo website, www.southerncrossaustereo.com.au, under the investor relations tab in accordance with listing rule 4.10.3 when the 2015 Annual Report is lodged. The 2014 Corporate Governance Statement is available in the 2014 Annual Report on the 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 2015. 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:

- Peter Bush (Chairman, appointed 25 February 2015)
- Leon Pasternak (Deputy Chairman)
- Chris de Boer
- Peter Harvie
- Rob Murray (appointed 1 September 2014)
- Kathy Gramp (appointed 1 September 2014)
- Glen Boreham (appointed 1 September 2014)
- Helen Nash (appointed 23 April 2015)
- Grant Blackley (appointed 29 June 2015)
- Max Moore-Wilton (Chairman, resigned 25 February 2015)
- Michael Carapiet (resigned 21 October 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

## Operational Review

### Group Results

Headline achievements for the Group include:

- Regional Radio advertising revenue growth for the 4th consecutive year, up by 3.5%
- Regional TV revenues outperform the market
- Regional EBITDA up 1.9%, margins up 0.7%
- Strong EBITDA to cash conversion – 100%
- Net debt reduced by $81.0 million to $506.9 million and net finance costs down 13.7%
- Leverage ratio reduced to 2.84 times, increasing covenant headroom (covenant 3.75 times)

# Review and Results of Operations (continued)

The Group reported revenues of $611.1 million, a fall of 4.6% on prior year revenues of $640.8 million with reported Earnings before Interest, Taxes, Depreciation and Amortisation ("EBITDA")[1] of $163.3 million, down 9.2% on prior year EBITDA of $179.7 million. The operational performance of the segments is outlined in detail below.

Depreciation and amortisation was up 3.7% as the business continues to invest in systems integration projects to achieve operational efficiencies. Further reductions in interest expense and other borrowing costs of 13.7% (excluding prior year significant items) are the result of the new swaps taken out in April 2015, and the ongoing benefit of the Group having successfully refinanced its syndicated debt facility in January 2014 (refer notes 11, 15 and 16 for further details). Net Profit After Tax ("NPAT") of the Group was up 3.7% to a loss of $284.9 million, compared to the prior year loss of $296.0 million. The Group was impacted by significant items in 2015 and 2014, primarily impairment losses recorded in both years. Excluding significant items, adjusted NPAT was $64.8 million, down 18.6% from the prior year adjusted NPAT of $79.6 million.

[1] *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

In 2015, the Group recognised impairment charges against intangible assets of $361.4 million, $276.5 million of which relates to the Metropolitan Free to Air Broadcasting ("Metro") Cash Generating Unit ("CGU") and $84.9 million relates to the Regional Free to Air Broadcasting ("Regional") CGU. There was also a derecognition of a deferred tax liability in respect of certain brands and licences for $11.7 million. Refer to Notes 5, 7 and 8 for further information. In respect of the Metro CGU, the Group has reassessed its forecast period revenue growth assumptions and long term growth assumptions on the basis that metro advertising markets may be more subdued, and the long term market share assumption has been reduced to reflect the intense, competitive radio environment in which it operates. In respect of the Regional CGU, television markets have declined 4.5% in 2015, and independent estimates of television industry growth rates over the forecast period have reduced significantly from the prior year. Despite an improved outlook on the Channel Ten audience share and market share, the effect of the lower industry growth rates over the forecast period and in the terminal growth rate has resulted in an additional impairment being recorded in 2015 in respect of the Regional CGU.

In 2014, the Group recognised a number of significant items, being:

- the settlement of an income tax matter with the Australian Taxation Office ("ATO") which resulted in a write-back of interest expense of $10.9 million and income tax expense of $15.5 million;
- the write off of unamortised borrowing costs from the previous debt facility of $5.6 million or $3.9 million after tax;
- impairment charges against intangible assets and investments of $392.5 million, including $375.7 million relating to the Regional CGU, $4.7 million relating to excess digital spectrum, and $12.1 million relating to investments in associates; and
- the recognition of an onerous contract provision in respect of digital radio (DAB+) contracts of $8.1 million, or $5.7 million after tax.

### Regional

The Regional business consists of a number of regional radio and regional television licences. Each regional television licence has a metropolitan television network affiliate that supplies the majority of programming for the licence.

Total Regional revenue finished the year at $361.6 million, 0.4% down on prior year revenue, principally due to the weak regional television advertising market. Regional advertising revenue of $337.3 million was in line with the prior year, with gains on radio offsetting declines on television. Television revenues performed well in what is a challenging market for free to air television. Overall, advertising revenues were back 2.7% in a market that declined 4.5% with declines from national clients being partially offset by growth in local clients.

# Review and Results of Operations (continued)

The Group continues to invest in television content through the Big Bash League and the Glasgow Commonwealth Games, with both events driving growth in local client revenues. Investment in these events, along with other improvements in Channel Ten programming, has led to an improved average audience share of 21.1%, compared to 20.0% in 2014. This improved ratings position will provide opportunities for growth in national client revenues in the future.

Regional radio continues to be a consistently performing asset within the Group with its broad and diversified client base delivering advertising revenue growth of 3.5% for the year. Local client revenues have continued to perform, up 1.3% for the year, however the real success story has been the strong growth in national revenues, which are up 8.9% on 2014, partly due to state election activity.

Regional EBITDA finished the year at $114.7 million, up 1.9% on the prior year.  The EBITDA growth is due to a change in the mix of advertising revenues, with improving radio revenues delivering higher margins than reducing television revenues.

## Metro

The Metro business consists of two complementary radio brands operating in the Australian capital cities that target different audience demographics: the Triple M network targets males in the 25 to 54 age bracket and Today's Hit Network is skewed towards females in the 18 to 39 age bracket.

The Metro radio division reported revenues of $224.1 million in 2015, down 9.9% on the prior year, and EBITDA of $57.8 million, down 21.0% on prior year EBITDA of $73.2 million.

Radio advertising revenues, representing $204.0 million out of the total reported revenue, were down 11.1% on the prior year. The Triple M network represented $120.7 million, up 8.4%, and Today's Hit network represented $83.3 million, down 29.6%.  Digital revenue was up 13.1% on 2014, however it continues to represent a small proportion of total advertising revenue.

Overall, the metropolitan free to air radio market grew by 5%, with the Group's market share declining from 32.9% in 2014 to 27.8% in 2015.

Competition within the female 18 to 39 demographic has intensified over the past few years with the establishment of competing radio services in Melbourne and Sydney which have taken audience share from Today's Hit Network and led to a significant loss of market share.  The breakfast show in Sydney changed in January 2015 and is still in its infancy, and early signs are that the return of Hamish & Andy to the national drive show will assist in regaining some audience share across the network.

The Triple M network has continued to strengthen its audience position and is now the most listened to network in Australia for men. This growth in audience has led to $9.4 million in incremental revenue, with 65% of this growth coming from agency clients.

Whilst revenue declined by $24.6 million, EBITDA has declined by $15.4 million, reflecting the relatively high fixed cost nature of the business.

## Financial Position

The Group maintains its capital management strategy to reduce the leverage ratio to 2.5 times EBITDA.  Net borrowing group debt has reduced by $87.4 million during 2015 to $506.9 million (Group net debt reduced by $81.0 million).  The initiatives in place to achieve this included:

- stabilisation of operating results;
- increased cash flow through improved debt management;
- cash conservation through underwritten DRP; and
- review of non-core assets.

## Review and Results of Operations (continued)

During the year, a non-core property was disposed of which resulted in proceeds of $9.0 million being used to reduce net debt. The group wide review of assets has identified further opportunities to divest non-core assets that the Group is assessing.

The Group entered into a 2 year non-recourse receivables financing facility in June 2015. This facility will further improve working capital and reduce net debt, and it will provide a lower cost of funding than the senior debt facility.

In February 2015, the Group negotiated a temporary increase in the leverage ratio to 3.75 times to December 2015, thereafter reverting back to 3.5 times. It is pleasing to report that as at 30 June 2015 the leverage ratio was 2.84 times.

Net assets for the Group have reduced from $1.2 billion to $936.8 million as a result of the impairment losses recorded in 2015.

### Business Strategies and Prospects for Future Financial Years

#### Strategic Update

The Group has continued to implement its operational strategy which comprises:

| | |
|---|---|
| **Re-establish Metro Share** | • Content reinvestment strategy gaining traction – positive survey results in both networks[1] – yet more work to be done<br>• Return of Hamish & Andy adding to audience increases across Today's Hit network<br>• Triple M remains #1 network for men around the country<br>• Continual evaluation and renewal across all stations and all key timeslots |
| **Operational Efficiency** | • Strengthening executive and management team skills and experience<br>• Improved focus on strategic initiatives and operations priorities – most importantly ratings growth and revenue maximisation<br>• Debt reduction through improved working capital management and lower financing costs<br>• New investment and realisation in technological efficiencies |
| **TV Affiliation** | • Channel Ten affiliation expires June 2016, planning is underway<br>• Improved recent ratings performances – strengthening sales enquiry |
| **Leverage Digital** | • 13.1% year on year growth in digital revenues<br>• Engaging quality content – well procured – is our future<br>• Partnered with Triton Digital to launch a2x, Australia's first digital audio advertising exchange |

[1] GFK Radio Ratings, 2015.

The Group is pleased with the way the strategy has progressed and believes it is well positioned to capitalise on the work that was completed throughout 2015.

# Review and Results of Operations (continued)

## 2016 Outlook

Both Regional and Metro radio have started the year positively with results so far showing year on year growth. Television markets remain challenged, although increased consistency and growth in Channel Ten has been beneficial.

## Material Risks

Business and operational risks that could affect the achievement of the Group's financial prospects include the following risks:

| **Risk** | **Mitigation Strategies** |
|---|---|
| Breach of banking covenants | The Syndicated Facility Agreement ("SFA") of $650 million is subject to a leverage ratio covenant and an interest cover covenant. Whilst the Group maintains sufficient headroom in respect of the interest cover covenant, falling Group EBITDA has resulted in pressure on the leverage ratio covenant.<br><br>The Group has mitigated this risk by obtaining an increase in covenant headroom to 3.75 times until December 2015, implementing an underwritten DRP to conserve cash for the final 2014 and interim 2015 dividends, using proceeds from the sale of non-core assets to reduce net debt, and the establishment of a non-recourse receivables financing facility. The risk of a breach of the leverage ratio banking covenant has now been mitigated, with the June 2015 leverage ratio calculated at 2.84 times. |
| Significant breach of an Australian Communication and Media Authority ("ACMA") code or licence conditions | The Group holds a significant number of radio and television licences and is at risk of breaching an ACMA code or licence obligation which exposes the Group to regulatory intervention and potentially onerous licence conditions, fines or potentially a suspension of an operating licence.<br><br>The Group has instigated the use of delays in broadcasting for certain programs, use of pre-publication advice from the legal department for at-risk content, and undertakes training and education for staff and on-air talent around the ACMA codes.<br><br>Subsequent to year end, the Group has agreed with the ACMA to implement a range of actions agreed in response to the ACMA's findings in 2014 on the "royal prank call", including an additional licence condition, and enforceable undertaking, and a special broadcast. |
| Decline in or loss of metro audience share leading to a loss of revenue | The Group has seen a loss of metro audience share on Today's Hit Network lead to a loss of revenue in the second half of the 2014 financial year, and in the 2015 financial year. The Group believes that the market share has stabilised at around 28%.<br><br>Today's Hit Network is into its second year of regeneration, and Survey 4 of 2015 showed Today's Hit Network delivered share increases among people 10+ across its five metro stations. Triple M also delivered growth across its four Triple M stations and mix94.5 in Perth. The green shoots of improvement across both networks indicates the Metro business is in the process of regeneration.<br><br>Finding and retaining good on-air talent is a key to retaining and growing audience share, and the Group is committed to developing talent across its national network of radio and television stations to mitigate this risk. |

# Review and Results of Operations (continued)

## Material Risks (continued)

| Risk | Mitigation Strategies |
|---|---|
| Threat of digital media (including television, radio, social) - emergence and convergence | With new alternative digital platforms and technologies emerging, there is a risk that the Group loses market share to alternative digital platforms and technologies, or fails to fully exploit the opportunity digital media represents for the business to lock in and grow new audience loyalty, or suffer financial loss due to a transfer of advertising spend to digital media.<br><br>The Group has employed a team of digital experts, has a significant digital footprint and is focussed on leveraging its digital assets to drive revenue growth, achieving 13.1% year on year growth in digital revenues in 2015.<br><br>The Group continues to lead the radio industry in social media engagement, having the 3 most engaging Facebook pages in Australia and 6 pages in the top 10[1].<br><br>The Group is also actively seeking complementary digital offerings, and during 2015 the Group partnered with Triton Digital to launch a2x, the world's first digital audio advertising exchange, in Australia. |

[1] The Online Circle Facebook Report Q1 2015.

## CEO Transition

On 11 May 2015, the Group announced that Rhys Holleran would be stepping down from the role of CEO after 18 years working with the Group. Rhys has played a strategic role in bringing together the Group as it is today, and the Board and staff thank him for his significant contribution. The appointment of Grant Blackley as CEO, who has come with a wealth of media experience, will lead the Group into the next phase of its development.

## Community Involvement

The Group supports a range of initiatives aimed at giving back to local communities.

The Group runs Give Me 5 For Kids, a charity that raises money to support local children's hospitals and charities in regional Australia. The charity runs an annual fundraiser in June of each year, raising over $2 million in each of the 2015 and 2014 appeals.

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.

Every December, the Group's "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 absolutely engaging staff who continue to live our values every day, and would also like to thank the shareholders for their continuing support for the Group.

# Distributions and Dividends

| Type | Cents per share | Total Amount $'000 | Date of Payment |
|---|---|---|---|
| Final 2014 Ordinary | 3.0 | 21,157 | 3 November 2014 |
| Interim 2015 Ordinary | 3.0 | 21,970 | 12 May 2015 |

Since the end of the financial year the Directors have declared the payment of a final 2015 ordinary dividend of $22.6 million (3.0 cents per fully paid share) out of retained earnings – 2013 profit reserve. This dividend will be paid on 4 November 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 year under review.

## Events Occurring After Balance Date

On 13 July 2015, the Group paid down $80 million of borrowings from cash reserves on the revolving 5 year SFA to reduce the drawn balance to $570 million ($650 million at 30 June 2015). As both cash and the SFA are included in net debt, there was no change to net debt.

Brian Gallagher was appointed to the role of Chief Sales Officer on 15 July 2015. Andrea Ingham resigned from her role as National Sales Director on 17 July 2015.

## 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 $192,882 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.

## Non-Audit Services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers Australia) for audit and non-audit services provided during the year are set out in note 21.

The Board has considered the position and, in accordance with 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.

## 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

| | |
|---|---|
| Non-Executive Chairman<br>**Peter Bush** | *Age 63, Appointed 25 February 2015*<br>Peter Bush joined the Board in February 2015 as Director and Chairman, and is Chairman of the Nomination Committee. Peter has proven leadership, strategic and management achievements in executive roles spanning the media, FMCG and consumer products sectors. This included senior roles with SC Johnson, Reckitt & Colman, Ampol/Caltex and Arnotts and was CEO of AGB McNair and Schwarzkopf. Peter ran his own strategic consultancy business for six years with clients including Qantas, Telstra, George Patterson Bates, John Singleton Advertising and McDonald's Australia. In 2003, Peter became the CEO of McDonald's Australia, leaving in April 2010 as its divisional President for Pacific, Middle East and Africa.<br>*Other Current Directorships*<br>Peter has been chairman of Mantra Group Holdings Limited since 2014<br>Peter has been chairman of Pacific Brands Limited since 2012 (director since 2010)<br>*Former Directorships in the last 3 years*<br>Peter ceased being a director of Insurance Australia Group Limited in 2015 |
| Non-Executive Director<br>**Leon Pasternak** | *Age 60, Appointed 26 September 2005*<br>Leon Pasternak joined the Board in September 2005 and is Deputy Chairman of the Board and Chairman of the Remuneration Committee.<br>Leon was the Vice Chairman and Managing Director of Merrill Lynch Markets (Australia) Pty Limited (a subsidiary of Bank of America) with cross sector and product responsibility, including responsibility 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. Leon has served on major boards including OPSM and Coca Cola Amatil.<br>*Other Current Directorships*<br>Leon has no other current directorships in listed companies<br>*Former Directorships in the last 3 years*<br>Leon has not ceased any listed company directorships in the last 3 years |
| Non-Executive Director<br>**Chris de Boer** | *Age 70, Appointed 20 September 2005*<br>Chris de Boer joined the Board in September 2005 and is Chairman of the Audit and Risk Committee and a member of the 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.<br>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.<br>Chris has an MA from Cambridge University and is a member of the Institute of Directors in New Zealand. |

## Information on Directors (continued)

| | |
|---|---|
| Non-Executive Director<br>**Chris de Boer**<br>(continued) | *Other Current Directorships*<br>Chris has no other current directorships in listed companies<br>*Former Directorships in the last 3 years*<br>Chris has not ceased any listed company directorships in the last 3 years |
| Non-Executive Director<br>**Peter Harvie** | *Age 76, Appointed 1 August 2011*<br>Peter Harvie joined the Board in August 2011 after the acquisition of Austereo Group Ltd and is a member of the Nomination Committee. 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.<br>*Other Current Directorships*<br>Peter has been a director of Village Roadshow Limited since 20 June 2000<br>*Former Directorships in the last 3 years*<br>Peter has not ceased any listed company directorships in the last 3 years |
| Non-Executive Director<br>**Kathy Gramp** | *Age 56, Appointed 1 September 2014*<br>Kathy Gramp joined the Board in September 2014 and is a member of the Audit and Risk, and Remuneration Committees. Until 30 June 2011, Kathy Gramp was Chief Financial Officer, Company Secretary and member of the Executive Committee of Austereo Group Limited. Kathy's career in the radio industry spanned over 22 years with her joining Austereo in 1989.<br>Kathy has board experience across a diverse range of Australian organisations and industry sectors including health, retirement living and aged care, disability services, the finance sector, education, government and emergency services. This includes Director roles with the Royal Automobile Association of South Australia, Masonic Homes and Silver Chain Group.<br>*Other Current Directorships*<br>Kathy has no other current directorships in listed companies<br>*Former Directorships in the last 3 years*<br>Kathy has not ceased any listed company directorships in the last 3 years |
| Non-Executive Director<br>**Rob Murray** | *Age 52, Appointed 1 September 2014*<br>Rob Murray joined the Board in September 2014 and is a member of the Audit and Risk and Nomination Committees. Rob has had a distinguished career in sales, marketing and general management having served most recently as the CEO of Lion (formerly Lion Nathan) from 2004 to early 2013, including during its acquisition by Kirin Holdings in 2009. Prior to this he worked for Nestlé for eight years, firstly as MD of the UK Food business, and from 2000 to 2004 as CEO of Nestlé Oceania. Before Nestle Rob spent 12 years with Procter & Gamble.<br>*Other Current Directorships*<br>Rob has been chairman of Dick Smith Holdings since 2015 (director since 2014)<br>Rob has been a director of Metcash Limited since 2015<br>*Former Directorships in the last 3 years*<br>Rob ceased being a director of Super Retail Group Limited in 2015<br>Rob ceased being a member of the Kirin Brewery Company Ltd International Advisory Board in 2015 |

## Information on Directors (continued)

Non-Executive Director
**Glen Boreham**

*Age 51, Appointed 1 September 2014*

Glen Boreham joined the Board in September 2014 and is a member of the Remuneration Committee. Glen has had a long and distinguished career at IBM culminating in the role of Chief Executive Officer and Managing Director, IBM Australia and New Zealand from 2006 to 2010. Glen has extensive experience in technology but also in traditional and new media through his roles chairing the Australian Government's Convergence Review of the media industry, and being the inaugural Chair of Screen Australia from 2008 to 2014. In addition, Glen has held a number of other roles including serving as a member of the Business Council of Australia and a member of the Australian Government's Information Technology Innovation Council. He completed three years as the Deputy Chairman of the Australian Information Industry Association in 2010.

*Other Current Directorships*

Glen has been a director of Data#3 Limited since 2011
Glen has been a director of Cochlear Limited since 2015

*Former Directorships in the last 3 years*

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

Non-Executive Director
**Helen Nash**

*Age 43, Appointed 23 April 2015*

Helen Nash joined the Board in April 2015 and is a member of the Audit and Risk Committee. Helen has more than 20 years' experience in brands and marketing, including seven years in FMCG at Procter & Gamble, followed by three years in publishing at IPC Media. Helen held a variety of senior executive roles at McDonald's Australia Ltd over a period of nearly ten years, including the position of Chief Operating Officer, overseeing restaurant operations, marketing, menu, insights and research and information technology.

*Other Current Directorships*

Helen has been a director of Blackmores Limited since October 2013
Helen has been a director of Pacific Brands Limited since August 2013

*Former Directorships in the last 3 years*

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

Executive Director
**Grant Blackley**

*Age 49, Appointed 29 June 2015*

Grant Blackley joined the Board in June 2015 as Chief Executive Officer ("CEO") and Managing Director. Grant's media industry career spans over 30 years during which time he served in numerous senior leadership roles at the TEN Network, including CEO from 2005 to 2010. Throughout this period he also held Directorships at Free TV and Freeview Australia. Prior to becoming CEO, Grant served in key roles in network sales, digital media and multi-channel program development as well as being responsible for group strategy, acquisitions and executive development programs. Prior to joining Southern Cross Austereo, Grant was CEO of the Keystone Group, partner in RGM Artists and founder of Four Seasons Media.

*Other Current Directorships*

Grant has no other current directorships in listed companies

*Former Directorships in the last 3 years*

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

## Information on Company Secretary

| | |
|---|---|
| **Jennifer Martin** | *Appointed 28 May 2015*<br>Jennifer Martin has been the Group Financial Controller for over 4 years and is a qualified Chartered Accountant and holds a Bachelor of Accounting degree. Prior to this, Jennifer was Group Financial Controller at SMS Management & Technology Limited, and has over 18 years experience as a finance professional. |

## Meetings of Directors

The number of meetings of the Board of Directors and of other Committee meetings held during the year ended 30 June 2015, and the numbers of meetings attended by each Director were:

| | | | **Meetings of Committees** | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Full meetings of directors** | | **Audit and Risk** | | **Nomination** | | **Remuneration** | | **Nomination and Remuneration[1]** | |
| | Attended | Held | Attended | Held | Attended | Held | Attended | Held | Attended | Held |
| **Director** | | | | | | | | | | |
| Peter Bush | 4 | 4 | * | * | 1 | 1 | * | * | * | * |
| Leon Pasternak[2] | 9 | 9 | 2 | 2 | * | * | 1 | 1 | 3 | 3 |
| Grant Blackley | 0 | 0 | * | * | * | * | * | * | * | * |
| Chris de Boer | 9 | 9 | 6 | 6 | * | * | 1 | 1 | 3 | 3 |
| Peter Harvie[2] | 9 | 9 | 2 | 2 | 1 | 1 | * | * | 3 | 3 |
| Rob Murray | 7 | 8 | 4 | 4 | 1 | 1 | * | * | * | * |
| Kathy Gramp | 7 | 8 | 4 | 4 | * | * | 1 | 1 | * | * |
| Glen Boreham | 8 | 8 | * | * | * | * | 1 | 1 | 1 | 1 |
| Helen Nash | 3 | 3 | 1 | 1 | * | * | * | * | * | * |
| Max Moore-Wilton | 5 | 5 | * | * | * | * | * | * | 3 | 3 |
| Michael Carapiet | 3 | 3 | * | * | * | * | * | * | * | * |

Held refers to the 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

[1] Effective February 2015, the Nomination and Remuneration Committee was separated into two separate committees, a Nomination Committee and a Remuneration Committee. There were no separate meetings of the Nomination Committee during the year.

[2] Leon Pasternak ceased being a member of the Audit and Risk Committee on 1 September 2014. Peter Harvie was appointed to the Audit and Risk Committee on 11 July 2014 and ceased being a member of the Committee on 1 September 2014.

# Remuneration Report

Letter from Remuneration Committee

*On behalf of the Board, I am pleased to present Southern Cross Media Group Limited's ("the Group's") 2015 Remuneration Report. The Remuneration Committee is tasked by the Board to establish appropriate policies and practices which represent the Board's philosophy on remuneration and is aligned with creation of shareholder value; 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.*

*After conducting a full review of the Executive Remuneration practices in 2014, and embarking on a process of Board renewal over 2015, the Group is very pleased to report on the principal changes implemented over the course of the year:*

- ***Restructured executive team:*** *Effective 1 October 2014, the executive team was restructured to appoint a lead executive to be responsible for each of the Regional and Metro businesses. Rick Lenarcic was appointed to the role of Executive Director – Regional Operations and Guy Dobson was appointed to the role of Executive Director – Metro Operations.*
- ***New appointments:*** *There were a number of new executive appointments and changes to KMP during the year. Grant Blackley commenced as CEO and Managing Director on 29 June 2015, replacing Rhys Holleran as CEO. Nick McKechnie was appointed Chief Financial Officer ("CFO") on 8 September 2014, a role that had been vacant following the departure of Peter Lewis in July 2014. Vijay Solanki was appointed to the role of Director of Digital and Innovation on 11 May 2015 following the departure of Clive Dickens. Following the conclusion of the financial year, Brian Gallagher was appointed to the newly created role of Chief Sales Officer on 15 July 2015. The Board is confident that the executive group is well placed to develop and implement the strategic agenda for the Group over the coming years.*
- ***New Short Term-Incentive ("STI") plan commenced 1 July 2014:***
    - *The new plan better aligns all Executive Key Management Personnel ("KMP") 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%*
    - *The Group-wide financial measure for Executive KMP has been changed to net profit after tax ("NPAT") rather than earnings before interest, tax, depreciation and amortisation ("EBITDA") to better align executive performance with bottom line return to shareholders*
- ***Long-Term Incentive ("LTI") plan commenced 1 July 2014:***
    - *The new plan comprises one consistent plan limited to KMP only, with a three-year performance period with no vesting possible before the end of the performance period*
    - *The new plan introduces an additional performance measure, with a TSR (50%) and Earnings Per Share ("EPS") (50%) performance hurdle applying to awards*

***Salary increases***

*There were no salary increases for Executive Key Management Personnel ("KMP") during the year, apart from Rick Lenarcic who was promoted to Executive Director – Regional Operations and received a new remuneration package on promotion. With the commencement of a new CEO and a review of KMP remuneration, a further increase was given to Rick Lenarcic for 2016 in recognition of his performance and to align his salary with other KMP and market rates.*

***CEO compensation***

*The new CEO was engaged with a similar remuneration package to the former CEO with a 5% increase in base remuneration to $1,050,000. The former CEO was paid out his contractual entitlements as set out on page 20.*

# Remuneration Report (continued)

Letter from Remuneration Committee (continued)

***STI achievement***

*For 2015, overall achievement of financial STI's for the Executive KMP was 7%, and non-financial KPIs was 80%.*

*The Group did not achieve the financial STI gateway of 90% of budgeted NPAT, therefore no Executive KMP were awarded any group wide financial STI payments. We are pleased to report that the Regional operating segment achieved 100% of budgeted EBITDA and Rick Lenarcic was awarded 100% of his financial STI for this measure. Executive KMP received between 50% and 100% of their non-financial STI's depending on achievement of their KPIs.*

***LTI achievement***

*No LTI tranches vested during the year or at 1 July 2015.*

*Further detail on the STI and LTI outcomes for 2015 are set out in section 5 of the Remuneration Report.*

***Retention Bonus***

*The Board agreed that Nick McKechnie and Guy Dobson would be provided with a retention bonus opportunity upon the transition of the former CEO Rhys Holleran. The retention bonus for Nick McKechnie is $120,000 (subject to continuing employment to 30 June 2016) and Guy Dobson is $100,000 (subject to continuing employment and certain other performance targets). Further details on the potential retention bonuses can be found on page 24.*

*The Board would like to thank Rhys Holleran for his significant contribution to the Group over 18 years, and wishes him all the best for the future. He was instrumental in bringing the Group together in 2011 and has left a strong legacy to pass on to the new CEO Grant Blackley.*

*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 2015 Annual General Meeting.*

*Yours faithfully,*

***Leon Pasternak***

*Chairman of the Remuneration Committee*

**Contents**



## 1. Introduction

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

## 2. KMP disclosed in this report

The Key Management Personnel ("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 ("NED") (see pages 8-10 for details about each NED)** | |
| Peter Bush | Non-Executive Director (Chairman) (appointed 25 February 2015), Independent |
| Leon Pasternak | Non-Executive Director (Deputy Chairman), Independent |
| Chris de Boer | Non-Executive Director, Independent |
| Peter Harvie | Non-Executive Director, Independent |
| Rob Murray | Non-Executive Director (appointed 1 September 2014), Independent |
| Kathy Gramp | Non-Executive Director (appointed 1 September 2014), Independent |
| Glen Boreham | Non-Executive Director (appointed 1 September 2014), Independent |
| Helen Nash | Non-Executive Director (appointed 23 April 2015), Independent |
| Max Moore-Wilton | Non-Executive Director (Chairman) (resigned 25 February 2015), Non-Independent |
| Michael Carapiet | Non-Executive Director (resigned 21 October 2014), Non-Independent |
| **Executive Directors** | |
| Grant Blackley | CEO and Managing Director (appointed 29 June 2015) |
| Peter Bush[1] | Executive Chairman (from 11 May 2015 to 29 June 2015) |

| Name | Role |
|---|---|
| **Executives** | |
| Rhys Holleran[1] | CEO (resigned 31 July 2015) |
| Nick McKechnie | CFO (appointed 8 September 2014) |
| Guy Dobson | Executive Director – Metro Operations |
| Rick Lenarcic[2] | Executive Director – Regional Operations (effective 1 October 2014) |
| Andrea Ingham[3] | National Sales Director |
| Vijay Solanki | Director of Digital and Innovation (appointed 11 May 2015) |
| Craig Bruce[2] | Head of Content (ceased 30 September 2014) |
| Clive Dickens | Director of Digital and Innovation (resigned 20 January 2015) |
| Peter Lewis | CFO (resigned 16 July 2014) |

[1] Peter Bush assumed the role of Executive Chairman for the period following the announcement of the resignation of Rhys Holleran as CEO and appointment of Grant Blackley as CEO and Managing Director. As such, the remuneration he received during his time as Executive Chairman has been separated from the director fees he received as a non-executive director. Rhys Holleran's employment ceased on 31 July 2015 and as such, he remained employed for the entire 2015 financial year. Rhys Holleran ceased being KMP on 30 June 2015.

[2] Following the implementation of a new management structure on 1 October 2014, Rick Lenarcic became Executive Director – Regional and was elevated to KMP. With the appointment of Guy Dobson as Executive Director – Metro, Craig Bruce ceased being KMP on 30 September 2014. Remuneration is disclosed for the period the Executive was considered KMP.

[3] Andrea Ingham ceased being KMP on 30 June 2015.

### Changes since the end of the reporting period

Rhys Holleran's employment ceased with the company on 31 July 2015. Brian Gallagher was appointed to the role of Chief Sales Officer on 15 July 2015. Andrea Ingham resigned from her role as National Sales Director on 17 July 2015.

## 3. Remuneration governance

The Board has established a 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 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.

The Committee's objective is to ensure remuneration policies and structures are fair, competitive and aligned with the long-term interests of the Group. In 2014 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 included specific measures designed to ensure the independence of the advice provided. EY was required to maintain independence from management, and any advice regarding KMP remuneration was provided directly to the Committee. The Committee recognises that to effectively perform its role, it was necessary for EY to interact with management to obtain relevant information and work on approved matters from time-to-time. To ensure EY remained independent, members of management were 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 2015 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 and Earnings Per Share ("EPS") growth as defined in each of the Long-Term Incentive Plans.

The 2014 Corporate Governance Statement provides further information on the role of the Committee. The 2015 Corporate Governance Statement will be issued with the 2015 Annual Report.

## 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.

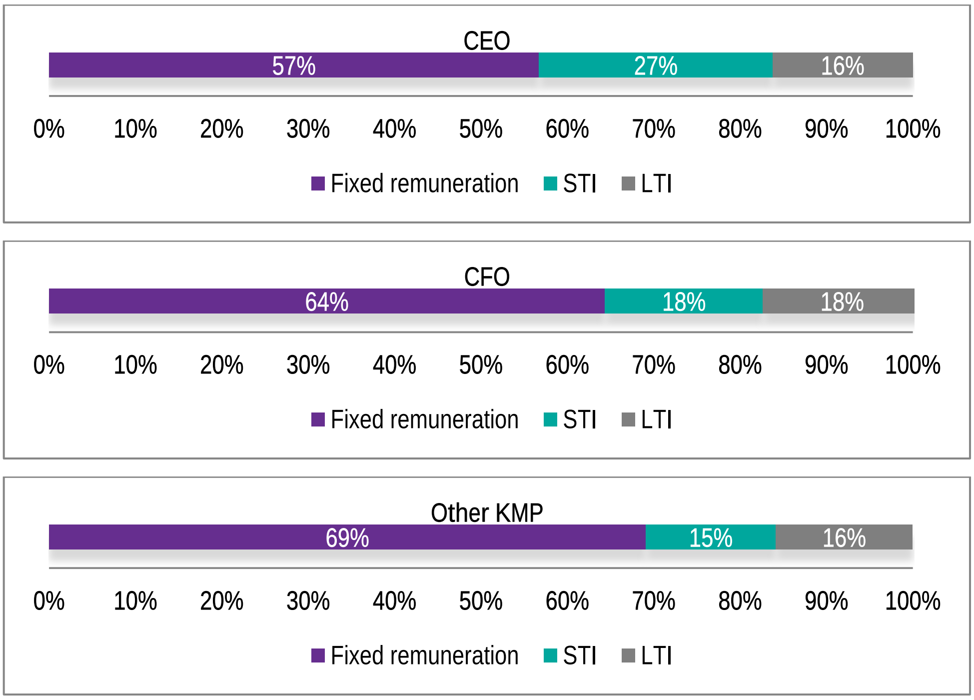
The executive remuneration framework currently has the following components:

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

### a) 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 2015 financial year was:

**Target remuneration mix**



Subsequent to the review of executive remuneration conducted by the Committee during 2014, 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 Executive KMP | 60-70% | 15-20% | 15-20% |

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, albeit with a slightly heavier weighting toward fixed remuneration.

Over time when new contractual agreements are entered into, the Group will look to move to a remuneration mix that is more closely aligned with peers.

### b) 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.

## 5. KMP remuneration

### a) 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 |
|---|---|---|---|---|---|
| Grant Blackley | Permanent | 1,050 | 500 | 300 | 6 mths either party |
| Nick McKechnie | Permanent | 519 | 150 | 150 | 6 mths either party |
| Guy Dobson | Permanent | 652 | 100 | 100 | 6 mths either party |
| Rick Lenarcic | Permanent | 399 | 100 | 100 | 12 weeks either party |
| Vijay Solanki | Permanent | 377 | 80 | 100 | 6 mths either party |
| Brian Gallagher[2] | Permanent | 519 | 150 | 100 | 6 mths either party |

[1] Service contracts for only those KMP who have remained KMP to the date of this report have been detailed in this table.
[2] Brian Gallagher commenced employment with the Group on 15 July 2015 as Chief Sales Officer and will be KMP for the 2016 financial year.

### b) Details of executive remuneration

The tables below outline statutory remuneration of executives who were KMP (excluding NED's which are disclosed at 7d) in 2015 and 2014 in accordance with statutory rules and applicable Accounting Standards.

| 2015 | Short-term employee benefits | | | Post-employment benefits | Long-term benefits | | Share-based payments | |
|---|---|---|---|---|---|---|---|---|
| Name | Cash salary and fees[1] | Cash STI | Non-monetary benefits | Super contribution | Other long-term benefits[2] | Termination | Performance rights | Total |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **Executives** | | | | | | | | |
| Grant Blackley | 8,750 | - | - | 831 | - | - | - | 9,581 |
| Peter Bush | 51,136 | - | - | - | - | - | - | 51,136 |
| Rhys Holleran | 975,000 | 70,000 | 33,536 | 25,000 | (1,088,498) | 1,990,034 | 116,667 | 2,121,739 |
| Nick McKechnie | 407,197 | 17,500 | 2,461 | 17,146 | 2,345 | - | 50,000 | 496,649 |
| Guy Dobson | 633,530 | 14,000 | 5,872 | 18,873 | 11,632 | - | 98,605 | 782,512 |
| Rick Lenarcic | 210,000 | 68,003 | 12,829 | 14,088 | 25,538 | - | 76,801 | 407,259 |
| Andrea Ingham | 401,500 | 10,000 | 5,872 | 18,873 | 3,420 | - | 88,884 | 528,549 |
| Vijay Solanki | 50,214 | - | - | 4,696 | 3,752 | - | - | 58,662 |
| Craig Bruce | 130,882 | - | - | 4,696 | (11,728) | - | - | 123,850 |
| Clive Dickens | 202,192 | - | 3,652 | 16,761 | 7,113 | - | - | 229,718 |
| Peter Lewis | 94,573 | - | - | 4,641 | - | - | - | 99,214 |
| Total Executive KMP | 3,164,974 | 179,503 | 64,222 | 125,605 | (1,046,426) | 1,990,034 | 430,957 | 4,908,869 |

[1] A number of Executive KMP did not hold their roles for the full financial year. Remuneration is only disclosed for the time they were KMP as specified on page 15.
[2] 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.

| 2014 | Short-term employee benefits | | | Post-employment benefits | Long-term benefits | | Share-based payments | |
|---|---|---|---|---|---|---|---|---|
| Name | Cash salary and fees | Cash STI | 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.

The following table shows for the remuneration received in each of the years, the relevant percentages for fixed remuneration, STI and LTI:

| | Fixed Remuneration | | At risk – STI | | At risk - LTI | |
|---|---|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** | **2015** | **2014** |
| **Executives**[2] | | | | | | |
| Grant Blackley | 100% | n/a | 0% | n/a | 0% | n/a |
| Rhys Holleran[1] | 84% | 67% | 6% | 12% | 10% | 21% |
| Nick McKechnie | 86% | n/a | 4% | n/a | 10% | n/a |
| Guy Dobson | 86% | 88% | 2% | 0% | 12% | 12% |
| Rick Lenarcic | 69% | n/a | 15% | n/a | 16% | n/a |
| Andrea Ingham | 81% | 85% | 2% | 0% | 17% | 15% |
| Vijay Solanki | 100% | n/a | 0% | n/a | 0% | n/a |

[1] The split of remuneration for Rhys Holleran excludes the termination payment he received.
[2] Craig Bruce, Clive Dickens and Peter Lewis are no longer KMP and are not disclosed above – all had 100% fixed remuneration for 2015. Peter Bush was only entitled to fixed remuneration during his time as Executive Director.

### c) 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.

### d) Changes during the year

In response to shareholder feedback and to better align STI metrics to the financial metrics in the Group's business plan, the Group wide financial metric for the STI has been changed from EBITDA to NPAT. For the CEO and CFO, this is the only financial metric. Certain executives are also assessed against other financial metrics as outlined on the following page.

The weighting between financial and non-financial metrics is consistently applied across all Executive KMP - 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.

Following the implementation of a new management structure on 1 October 2014, Rick Lenarcic became KMP and Craig Bruce ceased to be KMP.

Following the annual review for 2014, the Committee did not apply any fixed remuneration increases to existing Executive KMP. With the commencement of the new CEO, all KMP remuneration was reviewed and a salary increase was approved for 2016 for Rick Lenarcic of $100,000, taking his fixed remuneration to $399,308.

The fixed remuneration of Grant Blackley is $1,050,000, an increase from $1,000,000 (from former CEO), representing an increase of approximately 5% to reflect competitive market remuneration for this role.

The fixed remuneration of Nick McKechnie is $518,783, reduced from $617,775 (from former CFO), representing a decrease of approximately 16%.

The fixed remuneration of Vijay Solanki is $370,373, reduced from $400,373 (from former Director of Digital and Innovation), representing a decrease of approximately 7%.

### e) Terminations following the end of financial year

Rhys Holleran ceased employment with the Group on 31 July 2015 and received a termination payment of $1,990,034 that included payment of all outstanding leave entitlements of $1,021,474 and 12 months payment in lieu of notice of $968,560 as both parties agreed it was beneficial for the Group for a new CEO to be appointed as soon as possible.

Andrea Ingham ceased employment with the Group on 17 July 2015 and received a termination payment of $190,046 including all outstanding leave entitlements and payment in lieu of notice.

### f) 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.<br><br>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 47% of fixed remuneration, CFO of 29% of fixed remuneration and other executives have an STI opportunity of approximately 22% of fixed remuneration. |
| **What are the performance measures?** | 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.<br><br>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.<br><br>For 2015, STI performance measures and weightings vary by executive depending on individual accountabilities. The metrics and their rationale for selection are as follows: |

| Financial Metrics | Rationale for selection |
|---|---|
| Group NPAT compared with budget (excluding significant items where relevant) | Key financial metric for the Group that drives financial results and encourages senior executives to work together for the overall benefit of the Group |
| Segment EBITDA compared with budget | Focuses senior executive attention on results and performance for segments they have direct responsibility over |
| 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 |

**What are the performance measures? (continued)**

| Non-Financial Metrics | Rationale for selection |
|---|---|
| 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 |

- Weighted 80% financial metric for all Executive KMP (actual NPAT against budget for CEO and CFO, with various financial metrics for other executives) and 20% non-financial metrics
- The payout schedule against the financial metric is outlined in the table below:

| % of budgeted NPAT achieved | Percentage of financial component payable (i.e. 80% of total STI) |
|---|---|
| **<90%** | 0% |
| **90% to 100%** | Straight-line between 50% and 100% |
| **100% to 120%** | Straight-line between 100% and 115% |

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

**Is there an STI gateway?**

Financial gateway of 90% of budgeted financial metric must be achieved before any financial STI is payable. There is no gateway for the non-financial STI, as the quantum is relatively modest.

**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. |
| | **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. |

## g) 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.

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

| | 30 June 2015 | 30 June 2014 | 30 June 2013 | 30 June 2012 | Restated 30 June 2011[1] |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Revenue | 611,120 | 640,834 | 653,114 | 687,313 | 492,811 |
| EBITDA | 163,262 | 179,705 | 210,991 | 225,780 | 161,030 |
| *EBITDA %* | *26.7%* | *28.0%* | *32.3%* | *32.8%* | *32.7%* |
| Net profit before tax | (265,216) | (279,577) | 133,269 | 126,282 | 87,232 |
| Net profit after tax ("NPAT") | (284,950) | (296,008) | 96,111 | 95,022 | 64,060 |
| *NPAT %* | *(46.6%)* | *(46.2%)* | *14.7%* | *13.8%* | *13.0%* |
| Net profit after tax excluding significant items | 64,783 | 79,629 | 96,111 | 95,022 | 64,060 |
| *NPAT % excluding significant items* | *10.6%* | *12.4%* | *14.7%* | *13.8%* | *13.0%* |
| | **30 June 2015** | **30 June 2014** | **30 June 2013** | **30 June 2012** | **30 June 2011** |
| Opening share price | $1.07 | $1.43 | $1.20 | $1.55 | $1.64 |
| Closing share price | $0.97 | $1.07 | $1.43 | $1.20 | $1.55 |
| Dividend/Distribution | 6.0c | 7.5c | 9.0c | 10.0c | 10.0c |

[1] Restatement for finalisation of allocation of purchase price for Austereo acquisition in accordance with Accounting Standards.

### h) STI outcomes

The table below outlines the weighting of financial and non-financial KPIs in relation to each Executive KMP for 2015 and the performance achieved.

| Executive | Financial | | Non-financial | |
|---|---|---|---|---|
| | 80% | | 20% | |
| | **Measure** | **Performance** | **Measure(s)** | **Performance** |
| Rhys Holleran | - NPAT against budget | Not achieved | Mixture of Strategic, Operational, People and External Relations relevant to the executive | 88% achievement of measure. CEO's management in the last 12 months of implementing a strategic plan for the regeneration of the metro business and the further investment in digital, as well as increasing employee engagement and the development of a values-based culture. |
| Nick McKechnie | - NPAT against budget | Not achieved | Mixture of Strategic, Operational, People and External Relations relevant to the executive | 70% achievement of measure. CFO's management of investor relations, development of strategic financial plans and execution of the capital management strategy during the year. |
| Guy Dobson | - NPAT against budget<br>- Metro EBITDA against Budget | Not achieved | Mixture of Strategic, Operational, People and External Relations relevant to the executive | 70% achievement of measure. The execution of a content regeneration strategy across metro operations and the development of new content opportunities, providing future growth opportunities for the group. |
| Rick Lenarcic | - NPAT against budget<br>- Regional EBITDA against Budget | NPAT not achieved however Regional EBITDA achieved to 100% | Mixture of Strategic, Operational, People and External Relations relevant to the executive | 100% achievement of measure. Implementing a sales and operational strategy that has continued to deliver growth and a motivated employee base in the regional markets despite a soft TV advertising market. |
| Andrea Ingham | - NPAT against budget<br>- Group national sales budget<br>- Radio market share and TV power ratio targets | Not achieved | Mixture of Strategic, Operational, People and External Relations relevant to the executive | 50% achievement of measure. Development of a sales strategy to monetise the regeneration of the metro radio assets and the management of external relationships. |

Grant Blackley, Vijay Solanki and Peter Lewis were not eligible to receive any STI payment during the year as they were not employed for at least three months. Clive Dickens ceased his employment during the year and did not receive any STI payment.

### i) 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 2015.

| | | Financial | | | Non-financial | | | Total |
|---|---|---|---|---|---|---|---|---|
| | STI On Target Opportunity $ | Weighting % | Achieved % | Forfeited % | Weighting % | Achieved % | Forfeited % | STI awarded $ |
| Rhys Holleran | 400,000 | 80% | 0% | 100% | 20% | 88% | 12% | 70,000 |
| Nick McKechnie | 125,000 | 80% | 0% | 100% | 20% | 70% | 30% | 17,500 |
| Guy Dobson | 100,000 | 80% | 0% | 100% | 20% | 70% | 30% | 14,000 |
| Rick Lenarcic | 100,000 | 80% | 60% | 40% | 20% | 100% | 0% | 68,003 |
| Andrea Ingham | 100,000 | 80% | 0% | 100% | 20% | 50% | 50% | 10,000 |

### j) Retention bonus

The Board determined that Nick McKechnie and Guy Dobson would be provided with a retention bonus opportunity upon the transition of the former CEO Rhys Holleran. The purpose of the retention bonus is to incentivise the selected KMP to remain with the Group during the transition period of leadership by the Executive Chairman and following the appointment of a new CEO. The retention bonus for Nick McKechnie is $120,000 (subject to continuing employment to 30 June 2016) and Guy Dobson is $100,000 (subject to continuing employment and certain other performance targets). Instead of a retention bonus, Rick Lenarcic was given a $100,000 salary increase for 2016.

As this retention bonus is in addition to the usual STI scheme it is proposed that it be issued at the end of the period in equity. Levels of equity holding by management are limited given the low vesting levels of historic LTI schemes and the turnover of KMP and this will add to a process of increasing the level of equity holding by management and provide greater alignment with shareholders. For 2016 the Committee will review whether a NED and KMP shareholding policy is appropriate.

### k) Long-term incentives

| | |
|---|---|
| **What is the LTI?** | The Group operates an executive LTI plan, which provides Executive KMP with grants of performance rights over ordinary shares, for nil consideration.<br><br>A new plan was introduced during the year that issued performance rights to KMP that are exercisable subject to a three year performance period and the satisfaction of set performance criteria during the period that includes both EPS (50% weighting) and TSR targets (50% weighting). The residual plan that included both Executive KMP and other senior executives has a number of performance rights that will reach their vesting dates over the next 3 years, as these plans were for either 3 or 4 years. These performance rights vest based on satisfaction of TSR performance criteria only. |
| **What is the performance and vesting period?** | During the financial year, the Group introduced a revised LTI plan commencing on 1 July 2014, applying to Executive KMP only. This plan has a three-year performance period with a single-point vesting schedule (i.e. 100% of performance rights vest at the end of the performance period, subject to performance criteria being met). |

**What are the performance measures and hurdles?**

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 has introduced an additional performance measure based on growth in EPS to supplement the relative TSR performance measure.

**TSR**

Performance against a relative TSR hurdle determines vesting for 50% of the performance rights issued in this financial year. 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 performance 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 51st percentile | Nil |
| 51st percentile | 50% |
| 51st to 75th percentile | Straight-line vesting between 50% and 100% |
| At or above 75th percentile | 100% |

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

**EPS**

EPS Performance determines vesting for 50% of the performance rights issued in this financial year. In order for performance rights to vest, the company's adjusted EPS performance over the period must be at or above a 3% Compound Annual Growth Rate (CAGR). Adjusted EPS is considered appropriate as it excludes the impact of significant or non-recurring items (both income and costs) and so provides a better measure of underlying long-term performance.

Adjusted EPS will be calculated by dividing the adjusted profit after tax attributable to members of SCMGL for the relevant reporting period (reported profit after tax, adjusted for the after-tax effect of any significant or non-recurring items) by the weighted average number of ordinary shares of the Company over the relevant reporting period.

| EPS Performance | % of Allocation that vests |
|---|---|
| Below 3% CAGR | Nil |
| 3% CAGR | 50% |
| 3% - 8% CAGR | Straight-line vesting between 50% and 100% |
| At or above 8% CAGR | 100% |

| | |
|---|---|
| **How is performance assessed?** | The Group engaged Deloitte to prepare a report to determine the Group's EPS performance and 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** | **Share Plan Trust**<br><br>The Group has established the Southern Cross Media Group Employee Share Plan Trust ("Trust"). The Trust will acquire and hold any shares ("Plan Shares") that the employee becomes entitled to under the LTI plans, until such time as the employee elects to remove the Plan Shares from the Trust or the employee departs the company, whichever is earlier.<br><br>**Change of Control**<br><br>If a Change of Control event occurs in relation to the Group, then:<br><br>• the performance 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<br><br>• 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.<br><br>**Termination**<br><br>For "Bad Leavers" (defined by the Group as resignation or termination for cause), any unvested performance rights are forfeited, unless otherwise determined by the Board.<br><br>For cessation of employment for reasons other than those specified for "Bad Leavers", the Board has discretion to vest any unvested performance 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.<br><br>**Treatment of dividends**<br><br>There are no dividends payable to participants on unvested performance rights. Once the performance rights have vested to fully paid ordinary shares, the participant will be entitled to dividends on these shares.<br><br>**Sourcing of shares**<br><br>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. |

## 6. Details of share-based payments

The fair value of the performance rights issued during 2015 was determined using a Monte Carlo simulation model for the TSR performance rights and a Black-Scholes-Merton model for the EPS performance rights, with the following inputs:

| | Relative TSR | Absolute EPS |
|---|---|---|
| Grant date | 12 January 2015 | 12 January 2015 |
| Grant date share price | $1.12 | $1.12 |
| Fair value at grant date | $0.65 | $0.97 |
| Exercise price | Nil | Nil |
| Dividend yield | 5.90% | 5.90% |
| Risk free interest rate | 2.50% | 2.50% |
| Share price & TSR volatility | 35.58% | 35.58% |

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.

### a) Share-based payments

Eligibility and proportion of performance rights that reached vesting date during 2015 belong to the previous LTI plan and as such are solely dependent on the Group's TSR performance in comparison to its performance hurdles, as outlined below:

**LTI vesting outcomes – 1 July 2015 Vesting date (recorded in 2016 financial year)**

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 2015 for the performance period ending 30 June 2015.

| Tranche | Percentile ranking | % vested |
|---|---|---|
| FY12 – Tranche 4 | 38.0 | 0% |
| FY13 – Tranche 3 | 30.0 | 0% |
| FY14 – Tranche 2 | 17.0 | 0% |

**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 performance period ending 30 June 2014.

| 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% |

At 30 June 2015 share-based payments granted to KMP are as follows:

| Name[1] | Year of Grant | Vesting Date | No. of Perf Rights Granted | Value of Perf Rights at Grant Date $ | No. of Perf Rights Vested and Exercised During the Year | Vested and Exercised % | No. of Perf Rights Forfeited During the Year | Value at Date of Forfeiture $ | Forfeited % | No. of Perf Rights Remaining at Year End |
|---|---|---|---|---|---|---|---|---|---|---|
| Rhys Holleran[2] | FY15 Plan | 01/07/2017 | 449,643 | 350,000 | - | - | - | - | - | 449,643 |
| | 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 | - | 0.0% | 238,071 | 116,655 | 100.0% | - |
| | | 01/07/2015 | 220,104 | 116,655 | - | - | - | - | - | 220,104 |
| | | 01/07/2016 | 216,028 | 116,655 | - | - | - | - | - | 216,028 |
| | FY12 Plan | 01/07/2014 | 174,112 | 116,655 | - | 0.0% | 174,112 | 116,655 | 100.0% | - |
| | | 01/07/2015 | 171,551 | 116,655 | - | - | - | - | - | 171,551 |
| | FY11 Plan | 01/07/2014 | 129,617 | 116,655 | - | 0.0% | 129,617 | 116,655 | 100.0% | - |
| | **Total** | | **1,940,008** | **1,399,895** | **-** | **0.0%** | **541,800** | **349,965** | **100.0%** | **1,398,208** |
| Nick McKechnie | FY15 Plan | 01/07/2017 | 192,704 | 150,000 | - | - | - | - | - | 192,704 |
| | **Total** | | **192,704** | **150,000** | **-** | **-** | **-** | **-** | **-** | **192,704** |
| Guy Dobson | FY15 Plan | 01/07/2017 | 128,469 | 100,000 | - | - | - | - | - | 128,469 |
| | 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 | - | 0.0% | 102,031 | 49,995 | 100.0% | - |
| | | 01/07/2015 | 94,330 | 49,995 | - | - | - | - | - | 94,330 |
| | | 01/07/2016 | 92,583 | 49,995 | - | - | - | - | - | 92,583 |
| | **Total** | | **514,807** | **349,975** | **-** | **0.0%** | **102,031** | **49,995** | **100.0%** | **412,776** |
| Rick Lenarcic | FY15 Plan | 01/07/2017 | 128,469 | 100,000 | - | - | - | - | - | 128,469 |
| | FY14 Plan | 01/07/2015 | 22,874 | 23,333 | - | - | - | - | - | 22,874 |
| | | 01/07/2016 | 22,651 | 23,333 | - | - | - | - | - | 22,651 |
| | | 01/07/2017 | 22,651 | 23,333 | - | - | - | - | - | 22,651 |
| | FY13 Plan | 01/07/2014 | 47,614 | 23,333 | - | 0.0% | 47,614 | 23,333 | 100.0% | - |
| | | 01/07/2015 | 44,021 | 23,333 | - | - | - | - | - | 44,021 |
| | | 01/07/2016 | 43,206 | 23,333 | - | - | - | - | - | 43,206 |
| | FY12 Plan | 01/07/2014 | 27,360 | 18,333 | - | 0.0% | 27,360 | 18,333 | 100.0% | - |
| | | 01/07/2015 | 26,958 | 18,333 | - | - | - | - | - | 26,958 |
| | FY11 Plan | 01/07/2014 | 24,072 | 21,667 | - | 0.0% | 24,072 | 21,667 | 100.0% | - |
| | **Total** | | **409,876** | **298,331** | **-** | **0.0%** | **99,046** | **63,333** | **100.0%** | **310,830** |
| Andrea Ingham[3] | FY15 Plan | 01/07/2017 | 128,469 | 100,000 | - | - | - | - | - | 128,469 |
| | 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 | - | 0.0% | 68,020 | 33,330 | 100.0% | - |
| | | 01/07/2015 | 62,887 | 33,330 | - | - | - | - | - | 62,887 |
| | | 01/07/2016 | 61,722 | 33,330 | - | - | - | - | - | 61,722 |
| | **Total** | | **418,492** | **299,980** | **-** | **0.0%** | **68,020** | **33,330** | **100.0%** | **350,472** |

| Name[1] | Year of Grant | Vesting Date | No. of Perf Rights Granted | Value of Perf Rights at Grant Date $ | No. of Perf Rights Vested and Exercised During the Year | Vested and Exercised % | No. of Perf Rights Forfeited During the Year | Value at Date of Forfeiture $ | Forfeited % | No. of Perf Rights Remaining at Year End |
|---|---|---|---|---|---|---|---|---|---|---|
| Clive Dickens | FY14 Plan | 01/07/2015 | 32,676 | 33,330 | - | 0.0% | 32,676 | 33,330 | 100.0% | - |
| | | 01/07/2016 | 32,359 | 33,330 | - | 0.0% | 32,359 | 33,330 | 100.0% | - |
| | | 01/07/2017 | 32,359 | 33,330 | - | 0.0% | 32,359 | 33,330 | 100.0% | - |
| | FY13 Plan | 01/07/2014 | 68,020 | 33,330 | - | 0.0% | 68,020 | 33,330 | 100.0% | - |
| | | 01/07/2015 | 62,887 | 33,330 | - | 0.0% | 62,887 | 33,330 | 100.0% | - |
| | | 01/07/2016 | 61,722 | 33,330 | - | 0.0% | 61,722 | 33,330 | 100.0% | - |
| | **Total** | | **290,023** | **199,980** | **-** | **0.0%** | **290,023** | **199,980** | **100.0%** | **-** |

[1] No share-based payments were granted to Grant Blackley, Vijay Solanki or Peter Lewis during the year.

[2] Performance rights granted to Rhys Holleran have been treated as follows on termination: all unvested performance rights relating to the FY12, FY13 and FY14 plans were forfeited. The pro-rata performance rights in relation to the FY15 plan will remain on-foot (being 149,881 performance rights) with the balance of FY15 rights forfeited.

[3] All performance rights on issue to Andrea Ingham were forfeited on termination.

### b) Performance rights exercised

There were no performance rights that were exercised during the year.

### c) 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.

## 7. Non-Executive Director fee policy

### a) 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 nor 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, performance 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 Annual General Meeting 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.

The following NED fees (inclusive of superannuation) have applied in the 2015 and 2014 years:

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| **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[2] | 15,000 | 15,000 |
| Nomination and Remuneration Committee - member[2] | 10,000 | 10,000 |
| Nomination Committee - Chairman[2] | 15,000 | n/a |
| Nomination Committee - member[2] | 10,000 | n/a |
| Remuneration Committee - Chairman[2] | 15,000 | n/a |
| Remuneration Committee - member[2] | 10,000 | n/a |

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

[2] During the year the Nomination and Remuneration Committee was separated into two separate committees, a Nomination Committee and a Remuneration Committee. These committees are chaired by the Chairman and Deputy Chairman for no additional fee.

### b) Details of NED fees

The tables below outline statutory remuneration of NEDs for 2015 and 2014 in accordance with statutory rules and applicable Accounting Standards. NED's did not receive long term benefits or share-based payments in 2015 or 2014.

| **2015** | **Short-term employee benefits** | **Post-employment benefits** | |
|---|---|---|---|
| **Name** | **Cash salary and fees** | **Super contributions** | **Total** |
| **Non-Executive Directors** | **$** | **$** | **$** |
| Peter Bush (Chairman) | 76,830 | 6,503 | 83,333 |
| Leon Pasternak | 147,488 | 14,012 | 161,500 |
| Chris de Boer | 142,464 | 13,536 | 156,000 |
| Peter Harvie | 126,484 | 12,016 | 138,500 |
| Rob Murray | 108,066 | 10,267 | 118,333 |
| Kathy Gramp | 108,066 | 10,267 | 118,333 |
| Glen Boreham | 102,740 | 9,760 | 112,500 |
| Helen Nash | 31,735 | 3,015 | 34,750 |
| Max Moore-Wilton | 153,660 | 13,007 | 166,667 |
| Michael Carapiet | 31,250 | - | 31,250 |
| **Total** | **1,028,783** | **92,383** | **1,121,166** |

Fees were higher in 2015 than 2014 as the Nomination and Remuneration Committee was split into separate Committees, and an extra Director was added as a member of the Committees in 2015. In the prior year Marina Darling did not receive any payments.

| 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.

## 8. 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 2015 are:

| | Balance at start of year | Received during the year on exercise of performance rights | Other changes during the year | Balance at end of year |
|---|---|---|---|---|
| **Non-Executive Directors** | | | | |
| Peter Bush | - | - | - | - |
| Leon Pasternak | 1,064,216 | - | 120,999 | 1,185,215 |
| Chris de Boer | 148,571 | - | - | 148,571 |
| Peter Harvie | - | - | 20,000 | 20,000 |
| Rob Murray | - | - | - | - |
| Kathy Gramp | - | - | - | - |
| Glen Boreham | - | - | 95,000 | 95,000 |
| Helen Nash | - | - | - | - |
| | 1,212,787 | - | 235,999 | 1,448,786 |
| **Executives** | | | | |
| Grant Blackley | - | - | - | - |
| Rhys Holleran | 460,680 | - | - | 460,680 |
| Nick McKechnie | - | - | 26,760 | 26,760 |
| Guy Dobson | - | - | - | - |
| Rick Lenarcic | 18,343 | - | (18,343) | - |
| Andrea Ingham | - | - | - | - |
| Vijay Solanki | - | - | - | - |
| | 479,023 | - | 8,417 | 487,440 |

## 9. Other remuneration information

### Loans to Directors and executives

There were no loans to KMP and their related parties during the year ended 30 June 2015.

### Other transactions and balances with KMP and their related parties

During the year there were no other transactions with KMP or their related parties.

### 10. 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 34.

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

| | |
|---|---|
| Peter Bush | Leon Pasternak |
| Chairman | Deputy Chairman |
| Southern Cross Media Group Limited | Southern Cross Media Group Limited |
| Sydney, Australia | Sydney, Australia |
| 26 August 2015 | 26 August 2015 |

# Auditor's Independence Declaration

As lead auditor for the audit of Southern Cross Media Group Limited for the year ended 30 June 2015, 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.

Sam Lobley
Partner
PricewaterhouseCoopers

Melbourne
26 August 2015

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# Statement of Comprehensive Income

| | Note | Consolidated 2015 $'000 | Consolidated 2014 $'000 |
|---|---|---|---|
| Revenue from continuing operations | 3 | 611,120 | 640,834 |
| Broadcast and production costs | | (107,756) | (120,440) |
| Employee expenses | | (169,313) | (169,084) |
| Selling costs | | (69,313) | (69,835) |
| Occupancy costs | | (30,684) | (30,555) |
| Promotions and marketing | | (19,009) | (18,307) |
| Administration costs | | (51,962) | (52,897) |
| Share of net profit/(losses) of investments accounted for using the equity method | 17 | 179 | (11) |
| **Profit before depreciation, amortisation, interest, impairment, fair value movements on financial derivatives and income tax expenses for the year from continuing operations** | | 163,262 | 179,705 |
| Depreciation and amortisation expense | | (28,534) | (27,511) |
| Impairment of intangibles and investments | 8 | (361,414) | (392,467) |
| Interest expense and other borrowing costs | | (40,216) | (41,719) |
| Interest revenue | | 1,686 | 2,415 |
| **Loss before income tax expense for the year from continuing operations** | | (265,216) | (279,577) |
| Income tax expense from continuing operations | 5 | (19,734) | (16,431) |
| **Loss from continuing operations after income tax expense for the year** | | (284,950) | (296,008) |
| *Other comprehensive income that may be reclassified to profit or loss:* | | | |
| Changes to fair value of cash flow hedges, net of tax | | 4,284 | 5,769 |
| **Total comprehensive loss for the year attributable to shareholders** | | **(280,666)** | **(290,239)** |
| | | | |
| **Earnings per share attributable to the ordinary equity holders of the Company:** | | | |
| Basic earnings per share (cents) | 13 | (39.27) | (41.98) |
| Diluted earnings per share (cents) | 13 | (39.27) | (41.98) |

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

# Statement of Financial Position

| | | Consolidated | |
|---|---|---|---|
| | Note | 2015 $'000 | 2014 $'000 |
| **Current assets** | | | |
| Cash and cash equivalents | | 143,051 | 62,090 |
| Receivables | 10 | 122,038 | 115,498 |
| **Total current assets** | | **265,089** | **177,588** |
| **Non-current assets** | | | |
| Receivables | 10 | 4,550 | 5,843 |
| Investments accounted for using the equity method | 17 | 3,059 | 2,880 |
| Property, plant and equipment | 6 | 163,841 | 171,343 |
| Intangible assets | 7 | 1,289,440 | 1,650,612 |
| Deferred tax assets | 5 | 12,336 | 5,396 |
| **Total non-current assets** | | **1,473,226** | **1,836,074** |
| **Total assets** | | **1,738,315** | **2,013,662** |
| **Current liabilities** | | | |
| Payables | 10 | 88,692 | 85,087 |
| Provisions | 10 | 20,976 | 20,643 |
| Borrowings | 15 | 21,261 | 84 |
| Current tax liabilities | | 7,128 | 22,956 |
| Derivative financial instruments | 16 | - | 8,946 |
| **Total current liabilities** | | **138,057** | **137,716** |
| **Non-current liabilities** | | | |
| Borrowings | 15 | 647,964 | 646,472 |
| Derivative financial instruments | 16 | 1,732 | - |
| Provisions | 10 | 13,790 | 15,864 |
| **Total non-current liabilities** | | **663,486** | **662,336** |
| **Total liabilities** | | **801,543** | **800,052** |
| **Net assets** | | **936,772** | **1,213,610** |
| **Equity** | | | |
| Contributed equity | 14 | 1,365,110 | 1,686,878 |
| Reserves | | 3,014 | (1,993) |
| Other equity transaction | 14 | (77,406) | (77,406) |
| Accumulated losses | | (354,244) | (394,167) |
| **Equity attributable to equity holders** | | **936,474** | **1,213,312** |
| Non-controlling interest | | 298 | 298 |
| **Total equity** | | **936,772** | **1,213,610** |

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

# Statement of Changes in Equity

## 2015

| | Contributed equity | Share-based payment reserve | Hedge reserve | Other equity transactions | (Accumulated losses) /retained profits | Total | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Total equity at 1 July 2014** | 1,686,878 | 3,503 | (5,496) | (77,406) | (394,167) | 1,213,312 | 298 | 1,213,610 |
| Profit for the year | - | - | - | - | (284,950) | (284,950) | - | (284,950) |
| Other comprehensive income | - | - | 4,284 | - | - | 4,284 | - | 4,284 |
| **Total comprehensive income** | - | - | 4,284 | - | (284,950) | (280,666) | - | (280,666) |
| **Transactions with equity holders in their capacity as equity holders:** | | | | | | | | |
| Employee share entitlements | - | 723 | - | - | - | 723 | - | 723 |
| Shares issued, net of transaction costs | 46,232 | - | - | - | - | 46,232 | - | 46,232 |
| Capital reduction per Corporations Act Section 258F | (368,000) | - | - | - | 368,000 | - | - | - |
| Dividends paid | - | - | - | - | (43,127) | (43,127) | - | (43,127) |
| | (321,768) | 723 | - | - | 324,873 | 3,828 | - | 3,828 |
| **Total equity at 30 June 2015** | 1,365,110 | 4,226 | (1,212) | (77,406) | (354,244) | 936,474 | 298 | 936,772 |

## 2014

| | Contributed equity | Share-based payment reserve | Hedge reserve | Other equity transactions | (Accumulated losses) /retained profits | Total | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Total equity at 1 July 2013** | 1,686,878 | 2,324 | (11,265) | (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 paid | - | - | - | - | (63,466) | (63,466) | - | (63,466) |
| | - | 1,179 | - | - | (63,466) | (62,287) | - | (62,287) |
| **Total equity at 30 June 2014** | 1,686,878 | 3,503 | (5,496) | (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 Cash Flows

| | | Consolidated | |
|---|---|---|---|
| | Note | 2015 $'000 | 2014 $'000 |
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 668,659 | 714,393 |
| Payments to suppliers and employees | | (507,267) | (519,538) |
| Interest received from external parties | | 1,686 | 2,415 |
| Tax paid | | (44,338) | (38,312) |
| **Net cash inflows from operating activities** | 9 | **118,740** | **158,958** |
| **Cash flows from investing activities** | | | |
| Payments for purchase of property, plant and equipment | | (28,232) | (27,309) |
| Payments for purchase of intangibles | | (242) | (53) |
| Proceeds from sale of property, plant and equipment | | 9,640 | 134 |
| **Net cash flows used in investing activities** | | **(18,834)** | **(27,228)** |
| **Cash flows from financing activities** | | | |
| Dividends paid to security holders | | (15,774) | (63,466) |
| Proceeds from DRP underwrite | | 15,774 | - |
| Net proceeds from receivables financing | | 22,161 | - |
| Repayment of borrowings from external parties | | - | (53,000) |
| Interest paid to external parties | | (40,567) | (51,319) |
| Payments for debt refinancing | | - | (4,140) |
| Payments for finance leases | | (539) | (621) |
| **Net cash flows used in financing activities** | | **(18,945)** | **(172,546)** |
| Net increase/(decrease) in cash and cash equivalents | | 80,961 | (40,816) |
| Cash assets at the beginning of the year | | 62,090 | 102,906 |
| **Cash assets at the end of the year** | | **143,051** | **62,090** |

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

# Notes to the Financial Statements

| Key Numbers | Capital Management | Group Structure | Other |
|---|---|---|---|
| 1. Summary of Significant Accounting Policies | 11. Capital Management Objectives | 17. Non-Current Assets – Investments Accounted for Using the Equity Method | 20. Share-Based Payments |
| 2. Segment Information | 12. Dividends Paid and Proposed | 18. Subsidiaries | 21. Remuneration of Auditors |
| 3. Revenue | 13. Earnings per Share | 19. Parent Entity Financial Information | 22. Related Party Disclosures |
| 4. Significant Items | 14. Contributed Equity and Reserves | | 23. Leases and Other Commitments |
| 5. Income Tax Expense | 15. Borrowings | | 24. Events Occurring after Balance Sheet Date |
| 6. Non-Current Assets – Property, Plant and Equipment | 16. Financial Risk Management | | 25. Other Accounting Policies |
| 7. Non-Current Assets – Intangible Assets | | | |
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| 9. Reconciliation of Profit/(Loss) after Income Tax to Net Cash Inflow from Operating Activities | | | |
| 10. Receivables, Payables and Provisions | | | |

# Key Numbers

## 1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. In addition, significant and other accounting policies that summarise the measurement basis used and that are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements. 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").

### 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.

a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2015 and the results of all subsidiaries for the year then ended. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. 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)

### 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.

### 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. Judgements and estimates which are material to the financial report are found in the following notes:

| | | |
|---|---|---|
| Note 7 | Non-Current Assets – Intangible Assets | Page 46 |
| Note 8 | Impairment | Page 47 |

### Notes to the financial statements

The notes to the financial statements have been restructured to make the financial report more relevant and readable, with a focus on information that is material to the operations, financial position and performance of the Group. Additional information has also been included where it is important for understanding the Group's performance.

Notes relating to individual line items in the financial statements now include accounting policy information where it is considered relevant to an understanding of these items, as well as information about critical accounting estimates and judgements. Details of the impact of new accounting policies and all other accounting policy information are disclosed at the end of the financial report in note 25.

## 2. Segment Information

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 Metro free to air radio broadcasting segment.

## 2. Segment Information (continued)

| | Metro | | Regional | | Corporate | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| **Segment Revenue** | **224,147** | 248,702 | **361,553** | 363,104 | **25,420** | 29,028 | **611,120** | 640,834 |
| EBITDA / Segment Result | **57,788** | 73,221 | **114,723** | 112,563 | **(9,249)** | 2,053 | **163,262** | 187,837 |
| Significant items included in EBITDA[1] | **-** | (8,132) | **-** | - | **-** | - | **-** | (8,132) |
| **Statutory EBITDA / Segment Result** | **57,788** | 65,089 | **114,723** | 112,563 | **(9,249)** | 2,053 | **163,262** | 179,705 |
| EBITDA % of Revenue | **25.8%** | 26.2% | **31.7%** | 31.0% | **(36.4%)** | 7.1% | **26.7%** | 28.0% |
| Impairment of intangibles and investments | **(276,468)** | - | **(84,946)** | (392,467) | **-** | - | **(361,414)** | (392,467) |
| Depreciation and Amortisation | **(4,995)** | (4,879) | **(14,384)** | (14,754) | **(9,155)** | (7,878) | **(28,534)** | (27,511) |
| **Statutory EBIT / Segment Result** | **(223,675)** | 60,210 | **(15,393)** | (294,658) | **(18,404)** | (5,825) | **(226,686)** | (240,273) |
| Income tax expense | **-** | - | **-** | - | **-** | - | **(19,734)** | (16,431) |
| Financing costs | **-** | - | **-** | - | **-** | - | **(38,530)** | (39,304) |
| **Loss for the year attributable to shareholders** | **-** | - | **-** | - | **-** | - | **(284,950)** | (296,008) |

[1] In 2014 the Group recognised a provision for an onerous contract in respect of digital radio (DAB+) contracts of $8.1 million ($5.7 million after tax).

## 3. Revenue

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

| | Consolidated | |
|---|---|---|
| | **2015** | **2014** |
| | **$'000** | **$'000** |
| **Revenue from continuing operations** | | |
| Sales revenue | 604,859 | 635,433 |
| Rental revenue | 6,261 | 5,401 |
| **Total revenue from continuing operations** | **611,120** | **640,834** |

### Recognition and Measurement

Revenues are recognised at fair value of the consideration received or receivable net of the amount of GST payable to the relevant taxation authority.

### Sales revenue

Revenue represents revenue earned primarily from the sale of television, radio and digital 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.

## 4. Significant Items

The net profit/(loss) after tax includes the following items whose disclosure is relevant in explaining the financial performance of the Group. Significant items are those items of such a nature or size that separate disclosure will assist users to understand the financial statements.

| | Consolidated | |
|---|---|---|
| | **2015** **$'000** | **2014** **$'000** |
| Impairment of intangibles and investments (refer notes 7 and 8) | (361,414) | (392,467) |
| Derecognition of Deferred Tax Liability on impairment (note 5) | 11,681 | - |
| Onerous contracts (refer note 10) | - | (5,670) |
| Write off of unamortised borrowing costs on previous debt facility (refer note 15) | - | (3,900) |
| Resolution of tax dispute (refer note 5) | - | 26,400 |
| **Total Significant Items included in net loss afer tax** | **(349,733)** | **(375,637)** |

## 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 | |
|---|---|---|
| | **2015** **$'000** | **2014** **$'000** |
| **Income tax expense/(benefit)** | | |
| Current tax | 26,674 | 12,824 |
| Deferred tax | (6,940) | 3,607 |
| | 19,734 | 16,431 |
| **Deferred income tax (benefit)/expense included in income tax expense comprises:** | | |
| (Increase)/decrease in net deferred tax assets | (10,662) | 6,571 |
| Adjustment for prior years | 3,722 | (2,964) |
| | (6,940) | 3,607 |
| **Reconciliation of income tax expense to prima facie tax payable** | | |
| Loss before income tax expense | (265,216) | (279,577) |
| Tax at the Australian tax rate of 30% | (79,565) | (83,873) |
| Tax effect of amounts which are not deductible/(taxable) in calculating taxable income | | |
| Deferred tax asset not recognised on impairment of non-current assets | 96,744 | 117,750 |
| Reversal of tax previously recognised on amended assessments | - | (18,873) |
| Share of net profits/(losses) of associates | 53 | (3) |
| Other (deductible expenses)/(non-assessable income)/non-deductible expenses | (1,220) | 4,394 |
| Adjustments recognised in the current year in relation to deferred tax of prior years | 3,722 | (2,964) |
| **Income tax expense** | **19,734** | **16,431** |

## 5. Income Tax Expense (continued)

| | Consolidated | |
|---|---|---|
| | **2015 $'000** | **2014 $'000** |
| **The balance comprises temporary differences attributable to:** | | |
| Licences and brands | (3,253) | (14,934) |
| Employee benefits | 6,197 | 5,963 |
| Provisions | 4,085 | 4,866 |
| Interest rate swaps | 519 | 2,684 |
| Other | 4,788 | 6,817 |
| **Net balance disclosed as deferred tax assets** | **12,336** | **5,396** |

For the year ended 30 June 2015, the Company had $1.8 million of income tax expense (2014: $2.5 million expense) recognised directly in equity in relation to cash flow hedges, with a corresponding deferred tax liability (2014: liability) being recognised. There are no unused tax losses for which no deferred tax asset has been recognised.

On the acquisition of Austereo Group Ltd, a Deferred Tax Liability ("DTL") was recognised in respect of the difference between the higher accounting book value and lower tax cost base of the licences and brands. As a result of the 2015 impairment, the DTL has been reduced by $11.7 million.

**Recognition and Measurement**

### 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.

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 adjusted by changes to unused tax losses.

### Deferred Taxes

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.

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.

### Tax Dispute

The Company was subject to a specific issue tax audit by the ATO in relation to the income years ended 30 June 2006 to 30 June 2009. The ATO disagreed with the tax deductibility of payments on certain redeemable preference shares issued by the Company. In 2014 the Company reached a settlement with the ATO for a cash payment of $14.0 million with no Shortfall Interest Charges or penalties to be applied to the new assessments. As such, $10.9 million in interest and $15.5 million in income tax expense were reversed in 2014.

### Tax Consolidated Group

The Company is the head entity of the tax consolidated group. For further information, refer note 19.

## 6. Non-Current Assets – Property, Plant and Equipment

| Consolidated | Land and Buildings | Leasehold Improvements | Plant and Equipment | Assets under construction | Total |
|---|---|---|---|---|---|
| **2015** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Cost | 46,184 | 35,038 | 393,809 | 8,231 | 483,262 |
| Accumulated depreciation expense | (12,062) | (19,554) | (287,805) | - | (319,421) |
| **Net carrying amount** | **34,122** | **15,484** | **106,004** | **8,231** | **163,841** |
| | | | | | |
| **Movement** | | | | | |
| Net carrying amount at beginning of year | 39,074 | 17,537 | 104,526 | 10,206 | 171,343 |
| Additions | 3,762 | - | 16,187 | 7,708 | 27,657 |
| Disposals | (7,312) | - | (264) | - | (7,576) |
| Depreciation expense | (1,402) | (2,077) | (24,104) | - | (27,583) |
| Transfers | - | 24 | 9,659 | (9,683) | - |
| **Net carrying amount at end of year** | **34,122** | **15,484** | **106,004** | **8,231** | **163,841** |

| Consolidated | Land and Buildings | Leasehold Improvements | Plant and Equipment | Assets under construction | Total |
|---|---|---|---|---|---|
| **2014** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Cost | 52,377 | 35,029 | 386,676 | 10,206 | 484,288 |
| Accumulated depreciation expense | (13,303) | (17,492) | (282,150) | - | (312,945) |
| **Net carrying amount** | **39,074** | **17,537** | **104,526** | **10,206** | **171,343** |
| | | | | | |
| **Movement** | | | | | |
| Net carrying amount at beginning of year | 37,444 | 18,612 | 107,402 | 7,137 | 170,595 |
| Additions | 2,644 | 980 | 17,392 | 7,476 | 28,492 |
| Disposals | - | - | (233) | - | (233) |
| Depreciation expense | (1,014) | (2,033) | (24,464) | - | (27,511) |
| Transfers | - | (22) | 4,429 | (4,407) | - |
| **Net carrying amount at end of year** | **39,074** | **17,537** | **104,526** | **10,206** | **171,343** |

### Recognition and Measurement

#### Property, Plant and Equipment at Cost

Property, plant and equipment is recorded at cost less accumulated depreciation and cumulative impairment charges. Cost includes those costs directly attributable to bringing the assets into the location and working condition necessary for the asset to be capable of operating in the manner intended by management. The estimated cost of dismantling and removing infrastructure items and restoring the site on which the assets are located is only included in the cost of the asset to the extent that the Group has an obligation to restore the site and the cost of restoration is not recoverable from third parties. Additions, renewals and improvements are capitalised, while maintenance and repairs are expensed.

The carrying values of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. 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.

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

**Recognition and Measurement (continued)**

### Depreciation

Land is not depreciated. Depreciation on other assets is calculated on a straight-line basis to write off the cost of the asset 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 |

## 7. Non-Current Assets – Intangible Assets

| Consolidated | Goodwill | Broadcasting Licences | Brands and Tradenames | Total |
|---|---|---|---|---|
| **2015** | **$'000** | **$'000** | **$'000** | **$'000** |
| Cost | 352,129 | 1,589,574 | 89,515 | 2,031,218 |
| Accumulated impairment expense | (352,129) | (364,801) | (24,848) | (741,778) |
| **Net carrying amount** | **-** | **1,224,773** | **64,667** | **1,289,440** |
| | | | | |
| **Movement** | | | | |
| Net carrying amount at beginning of year | 35,733 | 1,525,606 | 89,273 | 1,650,612 |
| Additions | - | - | 242 | 242 |
| Impairment expense | (35,733) | (300,833) | (24,848) | (361,414) |
| **Net carrying amount at end of year** | **-** | **1,224,773** | **64,667** | **1,289,440** |

| Consolidated | Goodwill | Broadcasting Licences | Brands and Tradenames | Total |
|---|---|---|---|---|
| **2014** | **$'000** | **$'000** | **$'000** | **$'000** |
| Cost | 352,129 | 1,589,574 | 89,273 | 2,030,976 |
| Accumulated impairment expense | (316,396) | (63,968) | - | (380,364) |
| **Net carrying amount** | **35,733** | **1,525,606** | **89,273** | **1,650,612** |
| | | | | |
| **Movement** | | | | |
| Net carrying amount at beginning of year | 352,129 | 1,589,574 | 89,179 | 2,030,882 |
| Additions | - | - | 94 | 94 |
| Impairment expense | (316,396) | (63,968) | - | (380,364) |
| **Net carrying amount at end of year** | **35,733** | **1,525,606** | **89,273** | **1,650,612** |

### Goodwill and intangible assets with indefinite useful lives

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.

## 7. Non-Current Assets – Intangible Assets (continued)

### Key Judgement

#### Useful Life

A summary of the useful lives of intangible assets is as follows:

| | |
|---|---|
| Commercial Television/Radio Broadcasting Licences | Indefinite |
| Brands and Tradenames | Indefinite |

#### 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.

#### Brands

Brands are initially recognised at cost. The brands have been assessed to have indefinite useful lives. 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.

## 8. Impairment

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, being Regional free to air commercial radio and television broadcasting and Metro, being Metro free to air commercial radio broadcasting.

The recoverable amount of Regional and Metro at 30 June 2015 and 30 June 2014 was determined based on a value in use discounted cash flow ("DCF") model.

**Allocation of goodwill and other intangible assets**

| **Consolidated** | **Regional CGU** | **Metro CGU** | **Total** |
|---|---|---|---|
| **2015** | **$'000** | **$'000** | **$'000** |
| Goodwill allocated to CGU | - | - | - |
| Indefinite lived intangible assets allocated to CGU | 673,239 | 616,201 | 1,289,440 |
| **Total goodwill and indefinite lived intangible assets** | **673,239** | **616,201** | **1,289,440** |

### Key Judgement

| | % | % |
|---|---|---|
| Value in use assumptions (see part (b)) | | |
| Revenue growth – Forecast Period | 2.4 | 4.1 |
| Cost growth – Forecast Period | 2.3 | 4.3 |
| Long-term growth rate – terminal value | 1.4 | 2.5 |
| Discount rate (pre-tax) | 12.8 | 12.3 |

## 8. Impairment (continued)

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

| Consolidated | Regional CGU | Metro 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** |

| Key Judgement | % | % | |
|---|---|---|---|
| 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 | |

b) Key assumptions used for value in use calculations

The value in use calculations use cash flow projections based on the 2016 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 Group considered forecast reports from independent media experts 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.

c) Impact of a reasonably possible change in key assumptions

### Regional CGU

*Impairment*

At 30 June 2015, an impairment loss of $84.9 million (2014: $375.7 million) was recorded against licences (2014: licences and goodwill) in the Regional CGU. The estimated recoverable amount of the Regional CGU, based on value in use, equals its carrying amount. The impairment reflects a decline in the television market during the 2015 year and independent estimates of television industry growth rates over the forecast period have reduced significantly from the prior year. Despite an improved outlook on the Channel Ten audience share and market share, the effect of the lower industry growth rates over the forecast period has resulted in the blended radio and television terminal growth rate reducing to 1.4% (from 2.5% prior year).

### Metro CGU

*Impairment*

At 30 June 2015, an impairment loss of $276.5 million was recorded against goodwill, licences and brands in the Metro CGU. The estimated recoverable amount of the Metro CGU, based on value in use, equals its carrying amount. The impairment reflects lower radio advertising market growth rates over the forecast period and a reduction in the target long term market share achievable for the network with higher talent costs (the prior year value in use model assumed a higher long term target market share in perpetuity). In addition, there has been a reduction of the long term terminal growth rate of the Metro CGU to 2.5% (from 3.0% in prior year) reflecting a lower expected long term growth rate for metro radio revenues.

## 8. Impairment (continued)

### 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 and Regional CGU's. Negative variances may cause impairment in future periods. The following reasonable shifts in key assumptions would have the following approximate impact on recoverable amount for the Metro and Regional CGU's:

| Sensitivity | Change in variable in perpetuity | Impact of change on Regional CGU carrying value | Impact of change on Metro CGU carrying value |
|---|---|---|---|
| | **%** | **$ million** | **$ million** |
| Revenue | +1% | 52.0 | 40.2 |
| | -1% | (52.0) | (40.2) |
| Expenses | +1% | (38.3) | (29.5) |
| | -1% | 38.3 | 29.5 |
| Post tax discount rate | +0.5% | (45.9) | (44.7) |
| | -0.5% | 52.1 | 51.8 |
| Terminal growth rate | +0.5% | 40.1 | 41.2 |
| | -0.5% | (35.3) | (35.6) |

## 9. Reconciliation of Profit/(Loss) after Income Tax to Net Cash Inflow from Operating Activities

| | Consolidated | |
|---|---|---|
| | **2015 $'000** | **2014 $'000** |
| Loss after income tax | (284,950) | (296,008) |
| Impairment of investments and non-current assets | 361,414 | 392,467 |
| Depreciation and amortisation | 28,534 | 27,511 |
| Profit on disposal of assets | (2,440) | (1,189) |
| Share of associate (profit)/loss | (179) | 11 |
| Non-cash revenue | - | (1,247) |
| Interest expense and other borrowing costs included in financing activities | 40,216 | 41,719 |
| Share-based payments | 3,828 | 1,179 |
| **Change in operating assets and liabilities:** | | |
| (Increase)/decrease in receivables | (5,247) | 14,520 |
| (Increase)/decrease in deferred taxes (net of tax movement in hedge reserve) | (8,776) | 1,135 |
| Increase/(decrease) in payables | 3,382 | (4,343) |
| Decrease in provision for income tax | (15,828) | (23,266) |
| (Decrease)/increase in provisions | (1,214) | 6,469 |
| **Net cash inflows from operating activities** | **118,740** | **158,958** |

## 10. Receivables, Payables and Provisions

a) Receivables

| | Consolidated 2015 $'000 | Consolidated 2014 $'000 |
|---|---|---|
| **Current** | | |
| Trade receivables | 110,766 | 108,668 |
| Provision for doubtful debts | (663) | (527) |
| Prepayments | 10,040 | 4,926 |
| Other | 1,895 | 2,431 |
| | **122,038** | **115,498** |

| | Consolidated 2015 $'000 | Consolidated 2014 $'000 |
|---|---|---|
| **Non-current** | | |
| Refundable deposits | 605 | 538 |
| Related parties | 1,255 | 900 |
| Other | 2,690 | 4,405 |
| | **4,550** | **5,843** |

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

**Ageing analysis of assets**

The tables below summarise the ageing analysis of assets past due but not impaired and impaired assets as at 30 June.

| **Consolidated As at 30 June 2015** | **Current - not past due $'000** | **Past due - up to 60 days $'000** | **Past due - 60 – 90 days $'000** | **Past due - >90 days $'000** | **Total $'000** |
|---|---|---|---|---|---|
| Trade receivables | 97,117 | 9,368 | 1,432 | 2,849 | 110,766 |
| Provision for doubtful debts | - | - | - | (663) | (663) |

| **Consolidated As at 30 June 2014** | **Current - not past due $'000** | **Past due - up to 60 days $'000** | **Past due - 60 – 90 days $'000** | **Past due - >90 days $'000** | **Total $'000** |
|---|---|---|---|---|---|
| Trade receivables | 94,103 | 8,927 | 1,880 | 3,758 | 108,668 |
| Provision for doubtful debts | - | - | - | (527) | (527) |

The Group has recognised expenses in respect of bad and doubtful trade receivables during the year ended 30 June 2015 of $719,842 (2014: expense of $709,370). This provision is based on known bad debts and past experience for receipt of trade receivables. 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.

## 10. Receivables, Payables and Provisions (continued)

a) Receivables (continued)

**Recognition and Measurement**

### Trade Receivables

Trade receivables are recognised at fair value, being the original invoice amount and subsequently measured at amortised cost less provision for doubtful debts. Generally credit terms are for 30 days from date of invoice or 45 days for an accredited agency.

### Transferred Trade Receivables

The carrying amounts of the trade receivables include receivables which are subject to a non-recourse securitisation arrangement. Under this arrangement, the Group has transferred the relevant receivables to the securitisation vehicle in exchange for cash, and is prevented from selling or pledging the receivables. Whilst legal ownership has been transferred to the securitisation vehicle, the Group retains a portion of late payment and credit risk for the amounts yet to be received from the securitisation vehicle in respect of the securitised receivables. The Group therefore continues to recognise the transferred assets in their entirety in the balance sheet. The amount received under the securitisation arrangement is presented as current secured borrowings in the balance sheet.

| | Consolidated | |
|---|---|---|
| | **2015 $'000** | **2014 $'000** |
| **Current** | | |
| Carrying amount of transferred receivables (included in trade receivables) | 47,309 | - |
| Carrying amount of associated secured borrowing (included in secured borrowings) | (22,161) | - |

b) Current Liabilities – Payables

| | Consolidated | |
|---|---|---|
| | **2015 $'000** | **2014 $'000** |
| Trade creditors | 8,761 | 10,154 |
| GST payable | 3,809 | 4,118 |
| Accruals and other payables | 68,354 | 62,373 |
| Deferred income | 7,768 | 8,442 |
| | **88,692** | **85,087** |

**Recognition and Measurement**

### Trade Creditors, Accruals 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.

### Deferred Income

Deferred income generally represents government grants received. Grants from the government 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.

## 10. Receivables, Payables and Provisions (continued)

c) Provisions

| | Consolidated 2015 $'000 | Consolidated 2014 $'000 |
|---|---|---|
| **Current** | | |
| Employee benefits | 18,600 | 17,993 |
| Onerous contracts | 1,528 | 1,740 |
| Lease provisions | 848 | 910 |
| | **20,976** | **20,643** |

| | Consolidated 2015 $'000 | Consolidated 2014 $'000 |
|---|---|---|
| **Non-current** | | |
| Employee benefits | 2,057 | 2,062 |
| Onerous contracts | 4,815 | 6,392 |
| Lease provisions | 6,918 | 7,410 |
| | **13,790** | **15,864** |

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

| | Consolidated 2015 $'000 | Consolidated 2014 $'000 |
|---|---|---|
| Balance at the beginning of the financial year | 16,452 | 9,424 |
| Movements in the year | (2,343) | 7,028 |
| Balance at the end of the financial year | **14,109** | **16,452** |

**Recognition and Measurement**

### 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.

## 10. Receivables, Payables and Provisions (continued)

**Recognition and Measurement (continued)**

### 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.

# Capital Management

## 11. Capital Management Objectives

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 appropriate 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, maintain a fully underwritten dividend reinvestment plan, return capital to shareholders, issue new shares, buy back existing shares or sell assets to reduce debt. The Group is undertaking measures to reduce net debt and has a stated objective of reaching a leverage ratio of below 2.5 times. The following outlines the capital management policies that are currently in place for the Group:

**Dividend Policy**

### Dividend Payout Ratio

The Group's dividend policy has been to payout between 60-70% of underlying financial year Net Profit After Tax, as advised in a Capital Management Initiatives media release on 24 November 2011. There has been no change to this stated policy since this media release.

### Dividend Reinvestment Plan ("DRP")

The Group operates a DRP whereby shareholders can elect to receive their dividends by way of receiving shares in the Company instead of cash. The Company can elect to either issue new shares, or to buy shares on market.

For the final 2014 dividend and interim 2015 dividend, the DRP operated with a 2.5% discount being offered to participants (2014: nil discount for the final 2013 and interim 2014 dividends).

### Underwritten DRP

The Company entered into a DRP Shortfall Placement Agreement with CBA Equities Limited ("CBA Equities") for the final 2014 and interim 2015 dividends that involved CBA Equities subscribing for shares with a value of up to 100% of the shortfall in DRP Participation by Company shareholders. The DRP achieved an average subscription rate of 63%, and as such resulted in CBA Equities subscribing for 37% over the two subscriptions. For both dividends, the DRP was fully underwritten and resulted in $15.8 million cash being retained in the business that would otherwise have been paid out to shareholders.

Further details on the Group's dividends are outlined in note 12.

**Debt Facilities**

### Syndicated Debt Facility

The Group has a $650 million revolving 5 year Syndicated Facility Agreement ("SFA") expiring on 12 January 2019. This facility is used as core debt for the Group, and may be paid down and redrawn in accordance with the SFA.

### Covenants

During the year, the Banking Group, being Southern Cross Austereo Pty Ltd and its subsidiaries, requested a temporary extension in its leverage ratio covenant from 3.5 times to 3.75 times between June 2015 and December 2015, after which the covenant will revert back to 3.5 times. The Group has a target leverage ratio of 2.5 times. The Group also has an interest cover ratio covenant of 3.0 times.

### Revolving Facility

The Group cancelled its $50 million 2 year revolving facility on 26 February 2015, prior to its expiry on 12 January 2016. The facility was established to fund any potential working capital requirements that may have resulted from the settlement of the tax dispute as outlined in note 5, however the settlement was funded from free cash flow and the facility was no longer required.

## 11. Capital Management Objectives (continued)

**Debt Facilities (continued)**

### Non-Recourse Receivables Financing Facility

In June 2015 the Banking Group entered into a $65 million non-recourse Receivables Financing Agreement ("RFA") that enables the Group to convert receivables to cash quicker, providing an additional source of funding for the Group's working capital needs. As the Group retains an interest in each of the receivables, as the advance rate for each debtor is less than its face value and the Group only receives further payment if the debtor pays the receivable, the full face value of the receivable is retained on the Group's balance sheet, and the amount advanced under the RFA is recorded as a liability. As the RFA is considered non-recourse, is it excluded from net debt for the purposes of the leverage ratio calculation.

Further details on the Group's debt facilities are outlined in note 15.

**Property, Plant and Equipment**

During the year the Group deferred non-essential capital expenditure until later years to assist with reducing debt levels, which resulted in around $5.3 million of capital expenditure being deferred. The capital expenditure for 2015 was $27.7 million (2014: $26.9 million).

During the year the Group divested a non-core property which resulted in approximately $9.0 million cash being received which was used to reduce net debt.

Further details on the Group's fixed assets are outlined in note 6.

## 12. Dividends Paid and Proposed

The dividends were paid as follows:

| | Consolidated | |
|---|---|---|
| | **2015 $'000** | **2014 $'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% | 21,970 | 31,736 |
| Final dividend paid for the year ended 30 June – fully franked at the tax rate of 30% | 21,157 | 31,730 |
| | **43,127** | **63,466** |
| **Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan were as follows:** | | |
| Paid in cash[1] | 15,774 | 63,466 |
| Satisfied by issue of shares | 27,353 | - |
| | **43,127** | **63,466** |
| | **Cents per share** | **Cents per share** |
| Interim dividend paid for the half year 31 December | 3.0 | 4.5 |
| Final dividend paid for the year ended 30 June | 3.0 | 4.5 |
| | **6.0** | **9.0** |

[1] The Company entered into a DRP Shortfall Placement Agreement with CBA Equities for the final 2014 and interim 2015 dividends that involved CBA Equities subscribing for shares with a value of up to 100% of the shortfall in DRP Participation by Company shareholders.

The Group has $111.9 million of franking credits at 30 June 2015 (2014: $106.0 million).

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.

## 13. Earnings per Share

| | Consolidated | |
|---|---|---|
| | **2015** | **2014** |
| **Continuing Operations** | | |
| Loss attributable to shareholders from continuing operations ($'000) | (284,950) | (296,008) |
| Profit attributable to shareholders from continuing operations excluding significant items ($'000) | 64,783 | 79,629 |
| Weighted average number of shares used as the denominator in calculating basic earnings per share (shares, '000) | 725,688 | 705,135 |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (shares, '000) | 725,688 | 705,135 |
| Basic earnings per share (cents per share) | (39.27) | (41.98) |
| Diluted earnings per share (cents per share) | (39.27) | (41.98) |
| **Excluding Significant Items** | | |
| Basic earnings per share excluding significant items (cents per share) | 8.93 | 11.29 |
| Diluted earnings per share excluding significant items (cents per share) | 8.93 | 11.29 |
| **Dividends paid as a % of NPAT (excluding significant items)** | **68.8%** | **66.4%** |

### Recognition and Measurement

#### 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.

#### 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.

## 14. Contributed Equity and Reserves

| | Consolidated | |
|---|---|---|
| | **2015<br>$'000** | **2014<br>$'000** |
| Ordinary shares | 1,365,110 | 1,686,878 |
| Contributed equity | **1,365,110** | **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.

## 14. Contributed Equity and Reserves (continued)

| | Consolidated | | Consolidated | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 Number of securities | 2014 Number of securities |
| On issue at the beginning of the financial year | 1,686,878 | 1,686,878 | 705,247 | 704,858 |
| Capital reduction | (368,000) | - | - | - |
| Shares issued for equity component in talent contracts | 3,105 | - | 3,174 | - |
| Shares issued in relation to the DRP and DRP underwrite | 43,127 | - | 45,165 | - |
| Shares issued as part of Long Term Incentive Plan | - | - | - | 389 |
| **On issue at the end of the financial year** | **1,365,110** | **1,686,878** | **753,586** | **705,247** |

### 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.

### Employee share entitlements

The Group operates an LTI plan for its senior executives. Information relating to the employee share entitlements, including details of shares issued under the scheme, is set out in the Remuneration Report.

### Nature and purpose of reserves

a) 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 no performance rights have vested (2014: 388,462) and 1,027,757 (2014: 1,199,171) performance rights have been granted. In the current year, $723,407 (2014: $1,179,000) has been recognised as an expense in the Statement of Comprehensive Income as the fair value of potential shares to be issued.

b) Hedge reserve

The hedge reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in Other Comprehensive Income. Amounts are reclassified to the Statement of Comprehensive Income when the associated hedged transaction affects profit or loss.

c) Reverse Acquisition Reserve

As described in note 1(a), there is a reverse acquisition reserve of $77.4 million (2014: $77.4 million) in connection with the IPO of the Group.

## 15. Borrowings

a) Total interest bearing liabilities

| | Consolidated | |
|---|---|---|
| | 2015 $'000 | 2014 $'000 |
| **Current secured borrowings** | | |
| Borrowing costs | (984) | - |
| Securitised receivables | 22,161 | - |
| Lease liabilities | 84 | 84 |
| **Total secured current interest bearing liabilities** | **21,261** | **84** |

| | Consolidated | |
|---|---|---|
| | 2015 $'000 | 2014 $'000 |
| **Non-current secured borrowings** | | |
| Bank facilities | 650,000 | 650,000 |
| Borrowing costs | (2,249) | (3,753) |
| Lease liabilities | 213 | 225 |
| **Total secured non-current interest bearing liabilities** | **647,964** | **646,472** |
| **Total current and non-current borrowings** | **669,225** | **646,556** |

For all non-current borrowings, the carrying amount approximates fair value in the balance sheet.

On 19 June 2015, the Company entered into a $65 million non-recourse receivables financing facility. As at 30 June 2015 the amount of funding received under the securitised facility was $22.2 million.

b) Interest expense

| | Consolidated | |
|---|---|---|
| | 2015 $'000 | 2014 $'000 |
| **Interest expense and other borrowing costs** | | |
| External banks | 39,079 | 44,103 |
| Reversal of interest accrued on amended tax assessments | - | (10,889) |
| Amortisation of borrowing costs | 1,137 | 8,505 |
| **Total interest expense and other borrowing costs** | **40,216** | **41,719** |

c) Bank facilities and assets pledged as security

The $650 million debt facilities of the Banking Group are secured by a fixed and floating charge over the assets and undertakings of the Banking Group and its wholly-owned subsidiaries and also by a mortgage over shares in Southern Cross Austereo Pty Ltd. These facilities mature on 12 January 2019 and have an average variable interest rate of 4.83% (2014: 5.11%). 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. Covenant testing dates fall at 30 June and 31 December each year until the facility maturity date.

## 15. Borrowings (continued)

c) Bank facilities and assets pledged as security (continued)

The carrying amounts of assets pledged as security by Southern Cross Austereo Pty Ltd for current and non-current borrowings are:

| | Southern Cross Austereo Pty Ltd | |
|---|---|---|
| | **2015** | **2014** |
| | **$'000** | **$'000** |
| **Current assets** | | |
| *Floating charge* | | |
| Cash and cash equivalents | 143,046 | 55,623 |
| Receivables | 121,543 | 114,977 |
| Total current assets pledged as security | 264,589 | 170,600 |
| | | |
| **Non-current assets** | | |
| *Floating charge* | | |
| Receivables | 3,633 | 5,304 |
| Investments accounted for using the equity method | 2,980 | 7,944 |
| Property, plant and equipment | 163,841 | 171,343 |
| Intangible assets | 1,289,440 | 1,650,612 |
| Total non-current assets pledged as security | 1,459,894 | 1,835,203 |
| **Total assets pledged as security** | **1,724,483** | **2,005,803** |

**Recognition and Measurement**

### 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.

### Borrowing costs

Borrowing costs are expensed over the life of the facility to which they relate.

## 16. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (the Group's main exposure to market risk is interest rate risk), liquidity risk and cash flow interest rate risk. There is a relatively low level of credit risk on receivables that is managed by careful business practices (refer note 10). 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 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 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 interest rate risk and liquidity risk.

## 16. Financial Risk Management (continued)

a) Interest rate risk

**Nature of interest rate risk**

Interest rate risk is the Group's exposure to the risk that interest rates move in a way that adversely affects the ability of the Group to pay its interest rate commitments. 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.

**Interest rate risk management**

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 (quarterly), the difference between fixed contract rates and variable rate interest amounts calculated by reference to the agreed notional principal amounts.

**Exposure and sensitivity to interest rate risk**

External borrowings of the Group currently bear an average variable interest rate of 4.83% (2014: 5.11%). During the year the Group entered into $320 million of interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates at an average fixed rate of 2.5%. These interest rate swap contracts will expire in January 2018. Details on how the Group accounts for the interest rate swap contracts as cashflow hedges is disclosed in note 25.

### Derivative financial instruments

| | Consolidated | |
|---|---|---|
| | **2015 $'000** | **2014 $'000** |
| Interest rate swap contracts - current | - | 8,946 |
| Interest rate swap contracts – non current | 1,732 | - |
| **Total derivative financial instruments** | **1,732** | **8,946** |

### Interest rate swap contracts

The Group has $320 million in interest rate swap contracts, all of which are due to expire on 8 January 2018. In 2014 the Group had $350 million of interest rate swap contracts, the last of which expired on 26 March 2015.

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.

In assessing interest rate risk, management has assumed a +/- 25 basis points movement (2014: 25 basis points) in the relevant interest rates at 30 June 2015 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.

## 16. Financial Risk Management (continued)

a) Interest rate risk (continued)

| Consolidated AUD exposures | Carrying Value $'000 | Impact on post-tax profits Increase/(decrease) +/- 25 basis points $'000 | $'000 | Impact on reserves Increase/(decrease) +/- 25 basis points $'000 | $'000 |
|---|---|---|---|---|---|
| **2015** | | **+25** | **-25** | **+25** | **-25** |
| Cash at bank | 143,051 | 358 | (358) | - | - |
| Interest rate swaps | (1,732) | - | - | 2,156 | (2,168) |
| Borrowings | (650,000) | (1,625) | 1,625 | - | - |
| **2014** | | **+25** | **-25** | **+25** | **-25** |
| Cash at bank | 62,090 | 155 | (155) | - | - |
| Interest rate swaps | (8,946) | - | - | 439 | (440) |
| Borrowings | (650,000) | (1,625) | 1,625 | - | - |

b) Liquidity risk

**Nature of liquidity risk**

Liquidity risk is the risk of an entity encountering difficulty in meeting obligations associated with financial liabilities.

**Liquidity risk management**

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.

**Exposure and sensitivity**

### Financing arrangements

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

| Consolidated | Bank facilities | Working capital facility | Non-recourse receivables financing facility | Revolving facility | Total facilities |
|---|---|---|---|---|---|
| **As at 30 June 2015** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Line of credit value | 650,000 | 5,000 | 65,000 | - | 720,000 |
| Used at balance date | (650,000) | (4,087) | (22,161) | - | (676,248) |
| **Unused at balance date** | **-** | **913** | **42,839** | **-** | **43,752** |

| Consolidated | Bank facilities | Working capital facility | Non-recourse receivables financing facility | Revolving facility | Total facilities |
|---|---|---|---|---|---|
| **As at 30 June 2014** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Line of credit value | 650,000 | 5,000 | - | 50,000 | 705,000 |
| Used at balance date | (650,000) | (3,460) | - | - | (653,460) |
| **Unused at balance date** | **-** | **1,540** | **-** | **50,000** | **51,540** |

## 16. Financial Risk Management (continued)

b) Liquidity risk (continued)

The $650 million debt facility for the Group matures on 12 January 2019. The Group's bank facilities are denominated in Australian dollars as at 30 June 2015 and 30 June 2014. The $50 million revolving facility was cancelled during the year. The non-recourse receivables financing facility matures on 19 June 2017.

### 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.

| Consolidated As at 30 June 2015 | Less than 1 year $'000 | 1-2 years $'000 | 2-3 years $'000 | 3-5 years $'000 | Greater than 5 years $'000 |
|---|---|---|---|---|---|
| Lease liabilities | 103 | 102 | 73 | 15 | 4 |
| Borrowings – Principal | - | - | - | 650,000 | - |
| Interest cashflows[1] | 28,560 | 28,207 | 27,477 | 13,672 | - |
| Derivative financial instruments[2] | - | - | 1,732 | - | - |
| Payables[3] | 84,883 | - | - | - | - |
| **Total** | **113,546** | **28,309** | **29,282** | **663,687** | **4** |

| 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 |
|---|---|---|---|---|---|
| Lease liabilities | 86 | 159 | 56 | 3 | 4 |
| Borrowings – Principal | - | - | - | 650,000 | - |
| Interest cashflows[1] | 40,108 | 32,079 | 32,079 | 49,305 | - |
| Derivative financial instruments[2] | 8,946 | - | - | - | - |
| Payables[3] | 80,969 | - | - | - | - |
| **Total** | **130,109** | **32,238** | **32,135** | **699,308** | **4** |

[1] Calculated using a weighted average variable interest rate. Interest cashflows includes interest on principal borrowings, swap interest and the commitment fee on the non-recourse receivables financing facility.

[2] 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. The total fair value of derivatives used for hedging is $1.7 million (2014: $8.9 million).

[3] The payables balance excludes GST Payable as this is not a financial liability.

# Group Structure

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

| | Consolidated | |
|---|---|---|
| | 2015 $'000 | 2014 $'000 |
| Carrying amount at the beginning of the financial year | 2,880 | 13,677 |
| Share of profit/(losses) after income tax | 179 | (11) |
| Impairment of associates and joint ventures | - | (12,096) |
| Contributions to associates and joint ventures | - | 1,310 |
| **Carrying amount at the end of the financial year** | **3,059** | **2,880** |

## 18. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

| Name of entity | Country of incorporation | Class of shares/units | Effective ownership interest 2015 | Effective ownership interest 2014 |
|---|---|---|---|---|
| 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 Media Group Investments Pty Ltd (SCMGI) | 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.

**Recognition and Measurement**

### 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.

## 19. Parent Entity Financial Information

a) Summary financial information

The following aggregate amounts are disclosed in respect of the parent entity, Southern Cross Media Group Limited:

| | Southern Cross Media Group Limited | |
|---|---|---|
| **Statement of Financial Position** | **2015 $'000** | **2014 $'000** |
| Current assets | 500 | 6,726 |
| Non-current assets | 944,486 | 1,234,800 |
| Total assets | 944,986 | 1,241,526 |
| Current liabilities | 3,467 | 24,524 |
| Non-current liabilities | - | 198 |
| Total liabilities | 3,467 | 24,722 |
| Net assets | 941,519 | 1,216,804 |
| Issued capital | 1,267,522 | 1,589,290 |
| Reserves | 4,226 | 3,503 |
| Retained profits – 2013 reserve | 67,648 | 88,805 |
| Accumulated losses – 2014 reserve | (96,805) | (464,794) |
| Retained profits – 2015 H1 interim reserve | 22,761 | - |
| Retained losses – 2015 H2 reserve | (323,833) | - |
| Total equity | 941,519 | 1,216,804 |
| **Profit / (loss) for the year** | **(279,102)** | **(401,328)** |
| **Total comprehensive income** | **(279,102)** | **(401,328)** |

As a result of the impairment of the Metro and Regional CGUs, 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 $325.6 million.

b) Guarantees entered into by the parent entity

The parent entity has not provided any financial guarantees in respect of bank overdrafts and loans of subsidiaries as at 30 June 2015 (30 June 2014 – nil). The parent entity has not given any unsecured guarantees at 30 June 2015 (30 June 2014 - nil).

c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2015 (30 June 2014: $nil).

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

As at 30 June 2015, the parent entity had no contractual commitments (30 June 2014: $nil).

## 19. Parent Entity Financial Information (continued)

**Recognition and Measurement**

### Parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out on the following page.

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 Company is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing agreement in order to allocate income tax expense to the wholly owned subsidiaries on a stand-alone basis. The tax sharing arrangement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. The possibility of such a default is considered remote at the date of this report.

Members of the tax consolidated group have entered into a tax funding agreement. The group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group. The tax funding agreement provides for each member of the tax consolidated group to pay a tax equivalent amount to or from the parent in accordance with their notional current tax liability or current tax asset. Such amounts are reflected in amounts receivable from or payable to the parent company in their accounts and are settled as soon as practicable after lodgement of the consolidated return and payment of the tax liability.

# Other

## 20. Share-Based Payments

The company operates a long term incentive plan for Executive KMP, and previously to certain senior executives. The share-based payment expense for the year ended 30 June 2015 was $723,407 (2014: $1,178,634).

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

| Number of performance rights | 2015 | 2014 |
|---|---|---|
| Balance at beginning of the year | 4,647,945 | 4,983,487 |
| Granted during the year | 1,027,758 | 1,199,171 |
| Exercised during the year | - | (388,462) |
| Forfeited during the year | (4,035,721) | (1,146,251) |
| Balance at end of year | 1,639,982 | 4,647,945 |
| Exercisable at end of the year | - | - |

Details of the performance rights granted to KMP are set out in the Remuneration Report in the Directors' Report.

**Recognition and Measurement**

### 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 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.

## 21. Remuneration of Auditors

| | Consolidated | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| (a) Audit and other assurance services | | |
| PricewaterhouseCoopers Australian firm: | | |
| Statutory audit and review of financial reports | 724,400 | 580,000 |
| Other assurance services | 62,500 | - |
| Regulatory returns | 25,000 | 8,000 |
| **Total remuneration for audit and other assurance services** | 811,900 | 588,000 |
| (b) Taxation services | | |
| PricewaterhouseCoopers Australian firm: | | |
| Tax services | 78,108 | 101,482 |
| **Total remuneration for taxation services** | 78,108 | 101,482 |
| (c) Other services | | |
| PricewaterhouseCoopers Australian firm: | | |
| Debt advisory and cash management | 126,812 | 475,000 |
| Remuneration consulting services | - | 12,000 |
| Other consulting services | 5,200 | 102,000 |
| **Total remuneration for other services** | 132,012 | 589,000 |
| **Total** | **1,022,020** | **1,278,482** |

### 21. Remuneration of Auditors (continued)

The 2015 audit fee comprises the base audit fee of $597,000 (2014: $580,000), plus 2015 data migration work, and additional work required in respect of impairment and Remuneration Report review for the 2014 audit of $73,000. Other assurance services include a fee for the review of the new advertising booking system for $62,500.

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.

The Board 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.

### 22. 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.

a) KMP

During the year, no KMP 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 KMP or with a firm of which a KMP is a member, or with an entity in which the KMP has a substantial interest except on terms set out in the governing documents of the Group or as disclosed in this financial report.

The aggregate compensation of KMP of the Group is set out below:

| | Consolidated | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Short-term employee benefits | 4,437,482 | 4,835,675 |
| Post-employment benefits | 217,988 | 176,014 |
| Other long-term benefits | (1,046,426) | (32,618) |
| Termination payments | 1,990,034 | 74,296 |
| Share-based payments | 430,957 | 759,649 |
| | **6,030,035** | **5,813,016** |

Note: Changes to KMP during the year can be found in the Remuneration Report.

The number of ordinary shares in the Company held during the financial year by KMP of the Company and Group, including their personally related parties, are set out in the Remuneration Report in the Directors' Report. There were no loans made to or other transactions with KMP during the year (2014: nil).

## 22. Related Party Disclosures (continued)

b) Subsidiaries and Associates

Ownership interests in subsidiaries are set out in note 18. Details of interests in associates and distributions received from associates are disclosed in note 17. Details of loans due from associates are disclosed in note 10.

c) Other related party transactions

During the year, Macquarie Group Limited and its controlled entities ("Macquarie") received or was entitled to receive $10,954,532 (2014: $16,156,252) as dividends on securities held.

At 30 June 2015, the Group had funds totalling $4,573 (2014: $6,466,996) 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 $22,383 (2014: $7,886).

## 23. Leases and Other Commitments

| | Consolidated | |
|---|---|---|
| | **2015 $'000** | **2014 $'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 | 3,832 | 1,258 |
| | **3,832** | **1,258** |
| **Operating leases** | | |
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: | | |
| Within one year | 22,498 | 21,836 |
| Later than one year but not later than 5 years | 72,103 | 56,140 |
| Later than 5 years | 40,807 | 47,587 |
| | **135,408** | **125,563** |
| **Finance lease payment commitments** | | |
| Finance lease commitments are payable as follows: | | |
| Within one year | 103 | 106 |
| Later than one year but not later than 5 years | 225 | 245 |
| Greater than five years | 4 | 4 |
| | 332 | 355 |
| Less: Future lease finance charges | (35) | (46) |
| | **297** | **309** |
| **Lease liabilities provided for in the financial statements:** | | |
| Current | 84 | 84 |
| Non-current | 213 | 225 |
| **Total lease liability** | **297** | **309** |

## 23. Leases and Other Commitments (continued)

### 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.

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.

Rental expense relating to operating leases - included in occupancy costs is $25.3 million (2014: $25.1 million).

## 24. Events Occurring after Balance Sheet Date

On 13 July 2015, the Group paid down $80 million of borrowings from cash reserves on the revolving 5 year SFA to reduce the drawn balance to $570 million ($650 million at 30 June 2015). As both cash and the SFA are included in net debt, there was no change to net debt.

Brian Gallagher was appointed to the role of Chief Sales Officer on 15 July 2015. Andrea Ingham resigned from her role as National Sales Director on 17 July 2015.

## 25. Other Accounting Policies

### Defined contribution scheme

The Group operates a 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. The defined contribution plan expense for the year was $12.6 million (2014: $12.2 million) and is included in employee expenses.

### Derivative financial instruments

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

If the derivative financial instrument meets the hedge accounting requirements, the Group designates the derivatives as either (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedge). The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of 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.

## 25. Other Accounting Policies (continued)

### Hedge accounting

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

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

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

### Cash flow hedge

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

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.

### Fair value estimation

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

The Group has adopted 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).

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.

### Impact of new accounting policies

The year end financial statements have been prepared on a basis of accounting policies consistent with those applied in the 30 June 2014 Annual Report. The group adopted certain accounting standards, amendments, and interpretations during the financial year which did not result in changes in accounting policies nor an adjustment to the amounts recognised in the financial statements. They also do not significantly affect the disclosures in the Notes to the financial statements.

## 25. Other Accounting Policies (continued)

### Impact of standards issued but not yet applied

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 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 *Financial Instruments* | AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting.<br>In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. | 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.<br>As it relates to the other changes contemplated by the new accounting standard, the Group continues to assess the impact on the financial statements and at 30 June 2015 the changes are not expected to materially impact the Group. | Must be applied for financial years commencing on or after 1 January 2018.<br>The Group has not yet decided whether to adopt any parts of AASB 9 early.<br>In order to apply the new hedging rules, the Group would have to adopt the December 2013 version of AASB 9 and the consequential amendments to AASB 7 and AASB 139 in their entirety.<br>Based on the transitional provisions in the completed AASB 9, early adoption in phases will only be permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. |
| *AASB 15 Revenue from contracts with customers* | The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.<br>The new standard is based on the principle 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.<br>The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg. 1 January 2018), without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. | Management is currently assessing the impact of the new rules. At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months. | Mandatory for financial years commencing on or after 1 January 2018.<br>Expected date of adoption by the Group: 1 July 2018. |

# 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 35 to 71 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

Peter Bush
Chairman
Sydney, Australia
26 August 2015

Leon Pasternak
Deputy Chairman
Sydney, Australia
26 August 2015

# 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 2015, 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*.

### *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 2015 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 12 to 32 of the directors' report for the year ended 30 June 2015. 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 2015 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 2015 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

Sam Lobley
Partner

Melbourne
26 August 2015