SOUTHERN CROSS AUSTEREO
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SOUTHERN CROSS MEDIA GROUP APPENDIX 4E [RULE 4.3A]
PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Results for Announcement to the Market (all comparisons to 30 June 2015)

Key Financial Information	**$'000**	**up/down**	**% movement**
Revenue from ordinary activities	642,289	Up	5.1%
Net profit from ordinary activities after tax (including significant items)	77,243	Up	127.1%
Net profit from ordinary activities after tax (excluding significant items)	77,243	Up	19.2%

Dividend Information	**Amount per share cents**	**Franked amount per share cents**	**Tax rate for franking credit**
Interim 2016 dividend per share (paid 6 May 2016)	3.25	3.25	30%
Final 2016 dividend per share (to be paid 11 October 2016)	3.50	3.50	30%

Final 2016 Dividend Dates	
Ex-dividend date	1 September 2016
Record date	2 September 2016
Payment date	11 October 2016

	30 Jun 16	**30 Jun 15**
Net Tangible Assets Per Security	$(0.40)	$(0.47)

Dividend Reinvestment Plan ("DRP")
During the year, the DRP was suspended and will not apply in respect of the final FY2016 dividend.
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 2016. This report is based on the consolidated Financial Report for the year ended 30 June 2016 which has been audited by PricewaterhouseCoopers with the Independent Auditor's Report included in the Financial Report.
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SOUTHERN CROSS AUSTEREO

FINANCIAL REPORT

FOR YEAR ENDED 30 JUNE 2016

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

The financial statements were authorised for issue by the Directors on 25 August 2016. 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 2016 Annual Report is lodged. The 2016 Corporate Governance Statement is available in the 2016 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 2016. 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)
- Leon Pasternak (Deputy Chairman)
- Grant Blackley
- Glen Boreham
- Peter Harvie
- Rob Murray
- Helen Nash
- Melanie Willis (appointed 26 May 2016)
- Chris de Boer (resigned 26 May 2016)
- Kathy Gramp (resigned 21 June 2016)

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 (AM, 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

The group reported revenues of $642.3 million, up 5.1% on the prior year revenues of $611.1 million, and Earnings before Interest, Taxes, Depreciation and Amortisation ("EBITDA") of $167.7 million, up 2.7% on prior year EBITDA of $163.3 million. Net Profit after Tax ("NPAT") of $77.2 million is up 127.1% on a prior year NPAT loss of $285.0 million. Prior year results included impairment charges against intangible assets of $361.4 million, excluding this significant item, NPAT is up 19.2% on the prior year adjusted NPAT of $64.8 million. Net financing costs of $24.7m were down 35.9% on prior year net financing costs of $38.5 million, which has made a significant contribution to the year on year growth in NPAT.

Review and Results of Operations (continued)

Significant items

In 2016, there are no significant items.

During 2015, the group recognised impairment charges against intangible assets of $361.4 million, $276.5 million of which related to the Metropolitan Free to Air Broadcasting ("Metro") Cash Generating Unit ("CGU") and $84.9 million related to the Regional Free to Air Broadcasting ("Regional") Cash Generating Unit.

Segment Profit & Loss

	2016	**2015**	**Variance**
	$'m	**$'m**	
Regional	382.3	361.6	5.7%
Metro	242.3	224.1	8.1%
Corporate	17.8	25.4	(30.1%)
Total Revenue	**642.3**	**611.1**	**5.1%**
EBITDA			
Regional	131.1	114.7	14.3%
Metro	51.4	57.8	(11.1%)
Corporate	(14.8)	(9.2)	(60.9%)
Total EBITDA	**167.7**	**163.3**	**2.7%**
Group NPAT	**77.2**	**(284.9)**	**127.1%**
Group NPAT (excluding significant items)	**77.2**	**64.8**	**19.2%**

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. The Regional business has finished the 2016 year with revenue of $382.3 million, up 5.7% on prior year, and EBITDA of $131.1 million, up 14.3% on the prior year.

Advertising revenues, which account for 92.1% of total Regional revenues, are $352.3 million for the year and are up 4.5% on 2015. Television markets have remained challenging throughout the year and are back 6.1% on 2015. Despite this we have seen our Television revenues grow by 3.1%. This is due to the combination of a growing Channel Ten audience, up 1.3 points to 22.4% of total commercial audience and improved monetisation of this audience, revenue share up 2.1 points to 21.6% of total commercial TV markets.

Regional radio continues to be a strong performer with advertising revenues of $162.1 million, up 6.1% on 2015. Locally, our large and diverse client base continues to grow with Local revenues up 5.3% to $112.3 million. From a national perspective, the completion of regional audience surveys in a number of regional radio markets has provided a basis for increased investment from National agency clients with revenues up 7.9%, on 2015 to $49.8m.

As part of our group wide capital management strategy we have been divesting non-core assets and included in the 2016 Regional revenues is $5.6m profit arising from the sale of both transmission sites and office premises. Where necessary these office premises have been leased back.

Including the one-off profit on the sale of non-core assets, the Regional EBITDA result is up 14.3% to $131.1 million, excluding the non recurring profit on sale of assets the Regional EBITDA result is up 9.4% to $125.5 million. Cost control remains a key focus of the Regional business and we are pleased to see EBITDA margins (excluding the non recurring profit on the sale of assets) improve from 31.7% in 2015 to 32.8% in 2016.

Review and Results of Operations (continued)

Metro

The Metro business consists of two complementary radio brands operating in the Australian capital cities along with the digital assets associated with these two brands. The brands target different audience demographics with the Triple M network skewed towards males in the 25 to 54 age bracket and the Hit Network targeted towards females in the 18 to 39 age bracket. The continued success of our Triple M brand combined with the increased investment in the Hit Network is showing positive results, with reported revenues of $242.3 million, up 8.1% on the prior year revenues of $224.1m and this improvement was entirely due to growing advertising revenues which make up 92% of total Metro revenue.

Overall, the metropolitan free to air radio advertising market remains strong with growth of 5.9% throughout the 2016 financial year with the Group's market share increasing from 27.8% in 2015 to 28.7% in 2016.

Improving the market share of the Hit Network remains a key priority of the Group and we have continued to invest heavily in content to achieve this objective. The launch of Rove & Sam in Sydney Breakfast and the strengthening of other key Breakfast shows around the Hit network, together with the return of Hamish & Andy to the national Drive show, has led to our female 18 to 39 audience share increasing to 18.5%, up 3.9[1] points on the same time last year. Metro EBITDA of $51.4m is down 11.0% on 2015 and has been impacted by the increasing investment in content that, due to the ratings to revenue lag, is yet to be fully monetised. In addition to the investment in radio content, we continue to invest in the creation of new digital content which will provide future revenue opportunities to the group.

Corporate

The Corporate business comprises the group wide centralised functions of the Group, as well as the results of the Canberra FM radio business in which the group has a 50% shareholding. The 2016 results have been impacted by a non-cash, $5.0 million net loss on the sale of owned Telecommunication assets which were divested in the second half of the financial year.

Financial position

The financial position of the Group has strengthened considerably with net debt reducing by $166.7 million to $340.2 million and the leverage ratio improving to 1.9 times, well below the covenant of 3.5 times. The improved financial position is the result of the execution of the Groups capital management strategy which involved the divestment of non-core assets, stabilisation of operating results and increased cashflow through improved debt management.

During the year, the Group entered into a long-term contract with Australian Traffic Network (ATN) for it to provide traffic reports for broadcast on Southern Cross Austereo (SCA) radio stations. SCA received payment of $100 million from ATN in return for its stations broadcasting advertising tags provided by ATN attached to news and traffic reports. The contract has a term of 20 years, with an option for ATN to extend it by a further 10 years. Additionally, there will be an annual recurring payment to SCA of $2.75 million beginning from 1 February 2017. This will be indexed annually by the lower of CPI and 2.5%.

The $100 million payment has been recorded on the balance sheet under "Deferred Income" and will be released to the Income Statement over a 30 year period, unless the contract ends after 20 years at which point the remaining balance will be recognised as revenue in year 20. This treatment will match the receipt of future broadcasting services, airtime and traffic management services that the Group is required to provide over the life of the contract.

Strategic Update

The 2016 financial year has seen the Group execute on a number of key strategic objectives;

1. Reduction in net debt has strengthened the financial stability of the Group;
2. New TV affiliation agreements with Channel Nine have improved the outlook for the Group's TV assets;
3. Increased investment in Metro radio content is improving audience share, with more work still to be done in some key markets;
4. Yield focussed sales strategy is delivering revenue growth across all assets, including share growth across both Metro radio and Television; and
5. A number of key appointments have been made to strengthen the Executive Management team.

[1]GFK Ratings Survey 4 2016

Review and Results of Operations (continued)

The work that has been completed throughout 2016 leaves the group well positioned to continue to execute on its operational improvement strategy and the Group remains committed to:

1. Improving the monetisation of its assets through improved yield and inventory management;
2. Selectively acquiring assets that can extend or leverage from the existing scale and reach of the Group;
3. Continuing to grow audience share across the Hit and Triple M networks;
4. Increasing the exposure of the Group to growing Digital markets;
5. Pursue growth opportunities that are based on further leveraging the Content and Sales strengths of the group; and
6. Improving the operational efficiency of the Group by streamlining processes and improving the back of house efficiency of the Group.

2017 Outlook

Both Regional and Metro radio have started the year positively with results so far showing year on year growth. Television markets remain challenged however our transition to Nine has been successful and trading is in line with our expectations. We expect advertising revenues across all three assets to continue to grow throughout 2017 and full year EBITDA to be in the range of $177 to $183 million, up 6% to 9% on 2016.

Material Risks

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

Risk	Mitigation Strategies
Decrease in the size of the free-to-air ("FTA") television market at a faster rate than forecast	The Group has seen a decline in the television market of 6.1% year on year. Whilst there has been a continued shift towards digital advertising, there is a recognition that FTA television continues to deliver mass audiences and hence has a key place in media buying strategies. The Group maintains a focus on market share. During the year the Group signed a five year affiliation agreement with Nine, commencing on 1 July 2016, in Southern NSW and Regional Victoria and Queensland. Nine programming has traditionally delivered a significantly higher audience than Ten across these territories, providing a revenue upside. The Group's sales teams are developing a Regional Development Program to highlight areas of opportunity in regional markets where there is an underinvestment in media spend on a per capita basis. The Group is a diversified business covering television, radio and online, which provides a degree of protection against individual market weaknesses. As a television affiliate the Group pays a percentage of revenue to the broadcast partners meaning television has a higher variable cost structure than our radio or online businesses, which reduces the profit impact of any potential decline in revenue.
Finding and retaining good on-air talent	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 stations. The Group maintains a risk-based (opportunity) approach to unearthing and developing new talent. The nature of the Group's regional and metro radio assets provides an opportunity for developing talent to be moved from smaller to larger markets over time. Contracts are used to lock talent in for certain periods of time. The development of successful off-air teams that ensure high quality programming is also important in developing the loyalty of on-air talent to the Group.

Review and Results of Operations (continued)

Material Risks (continued)

Risk	**Mitigation Strategies**
Decline in or loss of metro audience share leading to a loss of revenue	The green shoots of improvement seen last year for both the Hit Network and Triple M were realised by the Group in 2016, which has seen a gain in metro audience share over the year, with full year market share of 28.7% compared to 27.8% in 2015. This shows the success of the Group's mitigation strategies, such as: • Investing in and retaining talent, as described above, including the return of the Hamish and Andy drive radio show and the start of the Rove and Sam breakfast show in Sydney • Securing sporting rights • Ongoing investment in On-Air tactics
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. The Group has employed a team of digital experts, which are now integrated into the Group's day to day operations in order to leverage existing content and sales capabilities. The Group invests in targeting digital audiences through the rebroadcast of its radio stations online and the extension of its Hit and Triple M radio brands across many digital platforms. The Hit & Triple M digital platforms are the number one and two radio brands in the country with unique audiences of 589,000 and 570,000 respectively[1]. The Group's social strategy is to create original content that will engage a local audience, driving loyalty to the brands and providing multi-media content that can be monetised through advertising. The Group has developed key partnerships with technology and content partners to ensure a competitive product offering. The Group continues to lead the radio industry in social media engagement, with a Facebook domestic engagement of over 2.3 million, more than double our nearest competitor[2].

[1] Nielsen Market Intelligence, Figures for June '16

[2] Facebook API 28 Day People Talking About This (AU) – recorded 1 June 2016.

Community Involvement

As a local media organisation, the Group acknowledges its role in the fabric of regional and rural communities and is committed to making a positive impact on local communities. The Group's local radio and television services keep communities up to date on the issues that matter to them, as well as providing local skilled jobs, promoting events, supporting local businesses, providing advertising opportunities and supporting community initiatives. In consultation with emergency and essential services organisations, the Group maintains procedures to broadcast warnings and information where there is an existing or threatened emergency.

The Group's flagship charity program is Give Me 5 For Kids, a charity with over 20 years of history raising money to support local children's hospitals and wards in regional Australia. The 2016 Give Me 5 For Kids campaign raised over $1.5 million for the third successive year. Over 95% of funds raised are donated to charities.

The Group also supports a range of local charities each year, including through the "I Believe in Christmas" appeal which collects toys for distribution by the Salvation Army to families and children in need.

Distributions and Dividends

Type	Cents per share	Total Amount $'m	Date of Payment
Final 2015 Ordinary	3.00	22.6	4 November 2015
Interim 2016 Ordinary	3.25	25.0	6 May 2016

Since the end of the financial year the Directors have declared the payment of a final 2016 ordinary dividend of $26.9 million (3.5 cents per fully paid share) out of current year earnings. This dividend will be paid on 11 October 2016 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

Events occurring after balance date are outlined in note 24 'Events Occurring after Balance Date' to the Financial Statements.

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 $160,847 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

Chairman **Peter Bush**	*Appointed 25 February 2015* *Most recently elected by shareholders: 29 October 2015* *Board Committees: Chairman, Nomination Committee* Peter Bush had a distinguished career in executive roles spanning the media, FMCG, advertising and consumer products sectors. He also brings considerable and highly respected public company directorship experience to Southern Cross Media Group. Peter is currently Chairman of Mantra Group Ltd. He has previously served on the boards of Pacific Brands Ltd, Nine Entertainment Holdings, Insurance Australia Group, Miranda Wines, McDonald's Australia Limited and Lion Nathan.
Deputy Chairman **Leon Pasternak**	*Appointed 26 September 2005* *Most recently elected by shareholders: 21 October 2014* *Board Committees: Chairman, People & Culture Committee* Until July 2010, Leon Pasternak was a senior corporate partner at Freehills (now Herbert Smith Freehills) specialising in mergers and acquisitions, public finance and corporate reorganisations. Until February 2014, Leon held the positions of Vice Chairman and Managing Director with Merrill Lynch Markets (Australia) Pty Limited (a subsidiary of Bank of America) with responsibility for the financial institutions group and mergers and acquisitions.
CEO and Managing Director **Grant Blackley**	*Appointed 29 June 2015* *Most recently elected by shareholders: 29 October 2015* Grant Blackley joined the Board in June 2015 as Chief Executive Officer 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 as 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. Before joining Southern Cross Media Group, Grant was CEO of the Keystone Group, Partner in RGM Artists and Founder of Four Seasons Media.
Director **Glen Boreham AM**	*Appointed 1 September 2014* *Most recently elected by shareholders: 21 October 2014* *Board Committees: Audit & Risk Committee* Glen Boreham AM had a 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 was the inaugural Chair of Screen Australia from 2008 to 2014, and also chaired the Australian Government's Convergence Review of the media industry. Glen is Chair of the Industry Advisory Board at the University of Technology Sydney, and Chair of Advance, representing the one million Australians living overseas. He is a non-executive director of Cochlear Limited and Link Group Limited.
Director **Peter Harvie**	*Appointed 1 August 2011* *Most recently elected by shareholders: 29 October 2015* *Board Committees: Nomination Committee* Peter Harvie has more than 45 years' experience in the advertising, marketing and media industries. Prior to joining the Board of Southern Cross Media Group, Peter was the Executive Chairman of Austereo Group Limited from 2001 until May 2011, Executive

Information on Directors (continued)

Director **Peter Harvie** (continued)	Chairman of Austereo Pty Ltd, Managing Director of the Triple M Network and founder and Managing Director of the Clemenger Harvie advertising agency from 1974 to 1993. He is Chairman of CHE Proximity (Clemenger BBDO Group). Peter was a non-executive director of Village Roadshow Ltd until February 2016.
Director **Robert Murray**	*Appointed 1 September 2014* *Most recently elected by shareholders: 21 October 2014* *Board Committees: People & Culture Committee, Nomination Committee* Robert Murray has had a distinguished career in sales, marketing and general management having served most recently as the CEO of Lion (formerly Lion Nathan), one of Australasia's leading food and beverage companies, including during its acquisition by Kirin Holdings in 2009. Before joining Lion Nathan in 2004, Rob worked for Proctor & Gamble for 12 years, and then for eight years with Nestlé, firstly as MD of the UK Food business, and from 2000 to 2004 as CEO of Nestlé Oceania. Rob is a board member of the Bestest Foundation and is Chairman of Metcash Ltd. Rob was Chairman of Dick Smith Holdings Limited until June 2016.
Director **Helen Nash**	*Appointed 23 April 2015* *Most recently elected by shareholders: 29 October 2015* *Board Committees: Audit & Risk Committee* Helen Nash 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. Helen is also a non-executive director of Blackmores Ltd and Metcash Ltd. She was formerly a non-executive director of Pacific Brands Ltd.
Director **Melanie Willis**	*Appointed 26 May 2016* *Board Committees: Chair, Audit & Risk Committee* Melanie has extensive financial and professional services experience in both Executive and Non-Executive roles in a wide range of industries, including accounting and financial planning, infrastructure, property investment management, and retail services (including tourism and start-up ventures). During the last 10 years, Melanie has held non-executive directorship roles at Aevum Limited (including Audit Committee Chair), Hydro Tasmania (including Audit & Risk Committee Member), Rhodium Asset Solutions, Crowe Horwath and Club Assist Limited, as well as senior executive roles with Deutsche Bank (Director), Bankers Trust Australia (Vice President) and NRMA Investments (CEO). Melanie is currently a non-executive director of Mantra Group, Ardent Leisure Group and Pepper Financial Services Group.

Information on Company Secretary

General Counsel and Company Secretary	*Appointed 7 September 2015* Tony Hudson has over 20 years' experience in senior legal and governance roles. Tony was General Counsel and Company Secretary at ConnectEast from 2005 until 2015. Before that, Tony was a partner of Blake Dawson Waldron (now Ashurst Australia), working in the firm's Melbourne office and from 1993 until 2000 in its Jakarta associated office. Tony is also a director of The Wheeler Centre.

Meetings of Directors

The number of meetings of the Board of Directors and its committees that were held during the year and the number of meetings attended by each director are summarised in the table below.

			Meetings of Committees			
	Board		**Audit and Risk**		**People & Culture**[1]	
Director	Attended	Held	Attended	Held	Attended	Held
Peter Bush	11	12	*	*	*	*
Leon Pasternak	10	12	*	*	6	6
Grant Blackley	12	12	*	*	*	*
Chris de Boer	12	12	5	5	5	5
Glen Boreham[2]	12	12	4	4	2	2
Kathy Gramp[2]	12	12	6	6	6	6
Peter Harvie	12	12	*	*	*	*
Rob Murray[2]	12	12	1	2	4	4
Helen Nash	11	12	6	6	2	2
Melanie Willis[2]	1	1	1	1	*	*

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 The People & Culture Committee was known as the Remuneration Committee until 24 September 2015.

2 Glen Boreham ceased to be a member of the People & Culture Committee and became a member of the Audit & Risk Committee on 24 September 2015. Rob Murray ceased to be a member of the Audit & Risk Committee and became a member of the People & Culture Committee on 24 September 2015. Chris de Boer ceased to be a member of the Audit & Risk Committee and the People & Culture Committee on his resignation on 26 May 2016. Melanie Willis became a member of the Audit & Risk Committee on 26 May 2016. Kathy Gramp ceased to be a member of the Audit & Risk Committee and the People & Culture Committee on her resignation on 21 June 2016.

Remuneration Report

Letter from People & Culture Committee

On behalf of the Board, I am pleased to present the Company's 2016 Remuneration Report. The People & Culture Committee ("PCC") assists the Board in its oversight of management activities in developing and implementing strategies to improve the Company's culture and diversity, consistent with our values. During the year, the committee's name was changed from the Remuneration Committee, reflecting the stronger focus of the Board and senior leadership team on the culture of the Company. However, an important part of the committee's role remains to ensure that the Company's remuneration policies are aligned with the creation of value for shareholders, having regard to applicable governance, legal and regulatory requirements and industry standards.

The Company delivered strong financial performance during the year. This has translated into improved returns for shareholders. Compared to the prior corresponding period, the Company's revenue increased by 5.1% to $642.3m and net profit after tax increased by 19.1% to $77.2m. The Company has reduced its net debt during the year by 32.9% to $340.2m, providing an ongoing benefit of reduced financing costs. Dividends of 6.75 cents per share are 12.5% higher than for the previous financial year.

These results are due to a significant change program led by the Company's new CEO and Managing Director, Grant Blackley, and supported by the Board. Long term agreements signed during the year with the Nine Network (for three aggregated regional television markets), the Ten Network (for the northern NSW market) and Australian Traffic Network have provided financial and operational stability, as well as impetus and opportunity for the Company to continue to grow revenues and returns across all of its media platforms.

Some of the key organisational and operational changes implemented during the year, along with changes to be made to the Company's executive remuneration framework in the year ahead, are described below.

- ***Streamlined senior leadership team**: The number of executives reporting to the CEO has been reduced from more than ten to five, each with clear areas of accountability. This senior leadership team comprises the Company's executive Key Management Personnel ("KMP") for the purposes of the Remuneration Report.*
- ***New appointments**: Brian Gallagher joined as Chief Sales Officer in July 2015 and John Kelly was appointed to the newly created role of Chief Operating Officer in February 2016. Reporting lines below each of them and other members of the senior leadership team have been restructured to enhance collaborative effort in sales across the Group's radio, television and digital platforms and in content creation and operational functions.*
- ***Benchmarking executive remuneration**: The PCC engaged KPMG during the year to prepare an independent benchmarking report which found that the base remuneration of the senior leadership team in 2016 was broadly aligned with the median remuneration levels of executives with corresponding roles in companies in the comparator group but that variable remuneration was significantly underweight. The Board used the KPMG benchmarking report as a key input in determining the adjustments to be made to the Company's executive remuneration framework. The benchmarked comparator group comprised 25 S&P/ASX200 companies above and 25 S&P/ASX200 companies below the Company's 12-month average market capitalisation as at 30 June 2015, excluding trusts, metals and mining, healthcare, financials, energy, construction and engineering, building products, airlines, aerospace and defence, and paper and forest products and including selected listed media peers (Fairfax Media, Nine Entertainment Corporation, Seven West Media, Ten Network Holdings, APN News and Media, APN Outdoor Group, oOh! Media and Prime Media Group).*
- ***Short Term Incentive plan**: The STI plan for the senior leadership team and other executive participants was restructured in 2016 to include three components: profitability and financial performance / creative and content performance (40%), high level operational improvements (40%) and cultural and behavioural influences (20%). The Board awarded the CEO 100% of his target STI for the year, and the other executive KMP received an average of 90% of their target STI, reflecting the Company's strong financial performance and the positive operational and behavioural changes implemented during the year. The PCC recommended and the Board has approved changes to the STI plan for future years to further align executive reward with creation of value for shareholders. These changes will include increasing the gateways that must be achieved for payment of the financial component of the STI plan and increasing the maximum award for outperformance against financial targets. An executive's maximum STI opportunity will increase from 106% of target in 2016 to 140% of target in 2017. This maximum STI award will only vest upon achievement of 105% of target net profit after tax ("NPAT").*

- ***Long Term Incentive plan**: During the year, there was no vesting of entitlements under the LTI plan and only members of the senior leadership team received grants under the LTI plan (for potential vesting in 2018). After considering the PCC's recommendations, the Board has approved extension of the LTI plan beyond the senior leadership team in future years. Inclusion of about 20 executives in the next tiers of management will ensure that the Company's future leaders are focused on measures that deliver long term returns to shareholders. It is proposed that the LTI plan will continue to have a three-year performance period and two equally weighted performance hurdles: relative total shareholder return ("TSR") and growth in earnings per share ("EPS").*
- ***Senior executive share ownership policy**: The Board introduced a policy in 2016 requiring members of the senior leadership team to retain 25% of any shares allocated to them upon vesting of awards under the LTI plan, representing about half of the post-tax value of any LTI award.*
- ***Composition of CEO's remuneration**: The Board has been impressed with Grant Blackley's positive impact in his first year as CEO, and supports the organisational and operational changes that he has led. The Board wishes to ensure that the CEO is appropriately compensated relative to peers and is incentivised to further develop and implement the Company's strategic direction and create sustainable value for shareholders. The Board has therefore approved an increase of 3% in the CEO's base remuneration and a higher weighting towards at-risk incentive remuneration for 2017. The composition of the CEO's remuneration will move to base (40%) / STI (30%) / LTI (30%). This means that the CEO's target STI will represent 75% of base remuneration. This will rise to a maximum of 105% of base remuneration for full outperformance against stretch financial targets. The STI component will be paid partly in cash and partly in equity. The CEO's LTI opportunity will rise to a face value of $810,000 in 2017, strongly aligning his incentives with the creation of value for shareholders. These changes will result in a 46% increase in the CEO's target remuneration in 2017, with 96% of the increase allocated to at-risk components and 84% of the increase payable in equity. The CEO's target and maximum remuneration will be positioned above the 75th percentile of CEOs in the benchmarking comparator group and around the median for CEOs of the Company's listed media peers.*
- ***Composition of other executive KMP remuneration**: The other members of the senior leadership team will receive an increase of up to 2.5% in their base remuneration in 2017. In conjunction with this, the composition of their remuneration will be made consistent and will include a greater emphasis on at-risk components, moving over two years to base (50%) / STI (25%) / LTI (25%). In earlier years there has been considerable disparity in the composition of the remuneration of the senior leadership team. In 2016, for example, base remuneration ranged from 57% to 77% of an executive's total remuneration package, STI opportunities ranged from 12% to 27% and LTI opportunities ranged from 12% to 18%.*
- ***Other executives**: The remuneration of other executives who participate in the Company's incentive plans will also move to a consistent composition over future years.*

The remuneration of the Company's non-executive directors was also reviewed during the year, aided by an independent benchmarking report in relation to the same comparator group prepared by KPMG. This review will result in an increase of 6% in base and committee fees for non-executive directors for the coming financial year, the first time since 2011 that these fees have been adjusted. Fees will be increased in subsequent years by 3%, with a benchmarking report to be obtained again in three years' time. The number of non-executive directors reduced from eight to seven during the year and the aggregate remuneration of non-executive directors in 2017 is expected to be less than in 2016.

The Board also introduced a policy in 2016 requiring non-executive directors to acquire and maintain a minimum shareholding equal to the base fee for a non-executive director by 2019 or within three years after their appointment, whichever is later.

Ensuring that the Company's remuneration framework aligns with the Company's objective of delivering sustainable value for shareholders is a key priority for the Board. We look forward to your feedback and welcoming you to our 2016 Annual General Meeting.

Yours faithfully,

Leon Pasternak

Leon Pasternak
Chairman of the People & Culture Committee

1. Remuneration principles

1.1 Overview of executive remuneration

The Company aims to ensure remuneration is competitive and appropriate for the results delivered. Executive reward is aligned with the achievement of strategic objectives and the creation of value for shareholders, and is informed by market practice for delivery of reward.

Executive remuneration packages include a mix of fixed and variable remuneration. Variable remuneration includes short and long-term incentives. More senior roles in the organisation have a greater weighting towards variable remuneration.

The table below shows the target remuneration mix for executive KMP in 2016. The STI portion is shown at target levels and the LTI portion is based on the value granted in 2016.

	Fixed remuneration	STI	LTI
Grant Blackley *Chief Executive Officer and Managing Director*	58%	26%	16%
Nick McKechnie *Chief Financial Officer*	64%	18%	18%
Guy Dobson *Chief Content Officer*	81%	7%	12%
Rick Lenarcic *Head of Regional Media*	70%	15%	15%
Brian Gallagher *Chief Sales Officer*	68%	19%	13%
Vijay Solanki *Chief Digital Enablement Officer*	67%	15%	18%
John Kelly[1] *Chief Operating Officer*	80%	20%	0%

[1] John Kelly commenced employment on 1 February 2016 and was not eligible to participate in the FY16 grant under the LTI plan.

1.2 Fixed remuneration for executive KMP

Fixed remuneration for executives is structured as a total employment package. Executives receive a combination of base pay, superannuation and prescribed non-financial benefits at the executive's discretion. The Company contributes superannuation on behalf of executives in accordance with the superannuation guarantee legislation.

Fixed remuneration is reviewed annually to ensure the executive's pay is competitive and appropriate for the results delivered. There are no guaranteed fixed remuneration increases included in any executive KMP contracts.

1.3 Variable remuneration for executive KMP

The table below outlines details of the Company's short term and long term incentive plans.

	Short-term incentives	Long-term incentives
What is the incentive?	The STI is an annual "at risk" bonus designed to reward executives for meeting or exceeding financial and non-financial objectives	The LTI plan provides executive KMP with grants of performance rights over ordinary shares, for nil consideration. Performance rights granted under the LTI plan are subject to a three year performance period. From 2017, the LTI plan will also be made available to about 20 executives in the next tiers of management.

	Short-term incentives	Long-term incentives
How is each executive's entitlement determined?	Each executive is allocated a dollar value (which may be a fixed percentage of the executive's total remuneration) representing the executive's STI opportunity for the year.	Each executive is allocated a dollar value (which may be a fixed percentage of the executive's total remuneration) representing the executive's maximum LTI opportunity for the year. This dollar value is converted into a number of performance rights in the LTI plan, based on the fair value of performance rights at the applicable grant date.
How is the incentive delivered?	STI awards for all executives other than the CEO are paid in cash according to the extent of achievement of the applicable performance measures. No portion of an STI award is subject to deferral. The CEO's STI award is payable partly in cash and partly in equity. The equity component is 25% of the after-tax value of the total STI award.	To the extent that the applicable vesting conditions are satisfied at the end of the three year performance period, LTI awards are delivered by allocation to participants of one fully paid ordinary share for each performance right that vests. The Board has discretion to settle vested awards in cash.
What are the performance measures and hurdles?	The Board sets the annual KPIs for the CEO near the beginning of each financial year. The KPIs are allocated to three categories having regard to the Company's business strategy: profitability and financial performance (40%), high level operational improvements (40%) and cultural and behavioural influences (20%). The CEO determines the KPIs for the other members of the senior leadership team in the same three categories and having regard to their areas of responsibility. KPIs for the Chief Creative Officer may allocate up to 40% to creative and content performance instead of profitability and financial performance. The metrics that applied under the STI plan in 2016 are summarised below. **Profitability and financial performance / Creative and content performance (40%)** • **Group NPAT compared with budget**: Focuses on financial results and collaboration for the overall benefit of the Group. This financial metric applies for the CEO, CFO and COO. • **Segment EBITDA compared with budget**: Focuses on the performance of segments for which they have direct responsibility. This metric applies for the Head of Regional Media. • **Sales-related targets**: Focuses on achieving sustainable financial performance from growing top line	From 2016, each grant under the LTI plan has two equally weighted performance hurdles over a three year performance period. **Relative TSR Performance hurdle (50%)** TSR provides a comparison of relative shareholder returns that is relevant to most of the Company'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 Company's capital structure. Performance rights will vest if the Company's TSR over the performance period is at or above the 51st percentile against the constituents of the ASX Consumer Discretionary Index at each grant date, excluding News Corporation. The comparator group represents a range of alternative 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.

revenue. This metric applies for the Chief Sales Officer.

- **Ratings targets**: Revenue and financial performance is heavily dependent on ratings on both radio and television. This metric applies for the Chief Creative Officer (for radio).

The Board has discretion to adjust budget targets to take into account acquisitions or divestments or other significant items where appropriate for linking remuneration reward to corporate performance.

Achievements against financial metrics are based on the Company's audited annual financial statements. The Board has discretion to make adjustments to take into account any significant non-cash items (for example impairment losses), acquisitions and divestments and one-off events/abnormal/non-recurring items, where appropriate for linking remuneration reward to corporate performance.

High level operational performance (40%)

- **Strategy**: Focuses on strategic initiatives (such as network strategy, material contracts and diversification of revenue streams) that deliver growth, improved business performance and shareholder value.
- **Operational improvements**: Focuses on effective management of business support functions and infrastructure to sustain and improve long-term earnings performance.

Cultural and behavioural influences (20%)

- **People**: Focuses on effective leadership and development and retention of talent to sustain and improve long-term earnings performance.
- **External relationships**: Focuses on development and maintenance of constructive relationships with key stakeholders to sustain and improve long-term earnings performance.

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.

Absolute EPS Performance hurdle (50%)

Performance rights will vest if the Company's adjusted EPS performance over the performance period is at or above a 3% Compound Annual Growth Rate (CAGR). Adjusted EPS excludes the impact of significant or non-recurring items (both income and costs) and so provides a fair measure of underlying long-term performance.

Adjusted EPS is calculated by dividing the adjusted profit after tax attributable to shareholders for the relevant reporting period (reported profit after tax, adjusted for the after-tax effect of significant or non-recurring items) by the weighted average number of ordinary shares on issue in the Company over the relevant reporting period.

Absolute 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%

Grants made under the LTI plans in operation before 2015 included both executive KMP and other senior executives, had performance periods of three or four years, and will vest based on satisfaction of TSR performance criteria only. Performance rights granted under these plans will reach their vesting dates over the next two years.

<table>
<tr><th></th><th>Short-term incentives</th><th>Long-term incentives</th></tr>
<tr><td>Is there a gateway?</td><td> At least 90% of financial metrics relating to NPAT or EBITDA must be achieved before any financial STI is payable. (This gateway will increase to 95% in 2017.) At least 94% of financial metrics for sales or costs must be achieved before any financial STI is payable. (This gateway will increase to 97.5% in 2017.) Where the budget for a financial year is less than the previous year's actual result, the applicable financial metric will be the previous year's actual result. There is no gateway for non-financial measures. Individual performance must be at a "meets expectations" level before any STI is payable. </td><td> The Relative TSR Performance hurdle will be achieved only if the Company's relative TSR over the performance period is at or above the 51st percentile of the comparator group. The Absolute EPS Performance hurdle will be achieved only if the Company's EPS performance over the performance period is at or above 3% CAGR. </td></tr>
<tr><td>What is the maximum amount payable?</td><td> The maximum award for non-financial measures under the STI plan is 100% of an executive's STI opportunity for those measures. The maximum award for financial measures under the STI plan is 100% of an executive's STI opportunity for that measure. In addition, an executive can earn up to 115% of the financial component (40%) of the executive's STI if the Group achieves up to 120% of the relevant financial target. An executive's maximum STI opportunity is therefore 106% of target.
<table>
<tr><th>% of budgeted NPAT /EBITDA</th><th>% of financial STI payable</th></tr>
<tr><td><90%</td><td>0%</td></tr>
<tr><td>90% to 100%</td><td>Straight line between 50% and 100%</td></tr>
<tr><td>100% to 120%</td><td>Straight line between 100% and 115%</td></tr>
</table>
<table>
<tr><th>% of budgeted Sales</th><th>% of financial STI payable</th></tr>
<tr><td><94%</td><td>0%</td></tr>
<tr><td>94% to 100%</td><td>Straight line between 50% and 100%</td></tr>
<tr><td>100% to 120%</td><td>Straight line between 100% and 115%</td></tr>
</table>
The maximum award for financial measures under the STI plan will be increased to 200% </td><td> The maximum award under the LTI plan is 100% of an executive's grant if all vesting conditions are fully satisfied over the performance period. </td></tr>
</table>

	Short-term incentives	Long-term incentives
	in 2017 if the Group achieves up to 105% of its NPAT target. An executive's maximum STI opportunity will therefore be 140% of target. Having regard to assumptions underlying the budget, the Board considers that achieving 105% of the Group's NPAT target would represent significant outperformance. Any STI award for such outperformance must be self-funding. This means that the outperformance must be achieved after providing for the incremental cost of any STI award.	

NPAT / EBITDA	Sales	% of financial STI payable
<95%	<97.5%	0%
95% to 100%	97.5% to 100%	Straight line between 50% and 100%
100% to 105% NPAT	N/a	Progressive scale between 100% and 200%
>105%	N/a	200%

	Short-term incentives	Long-term incentives
How is performance assessed?	**CEO:** At the end of each financial year, with the assistance of the Committee, the Board assesses the actual performance of the Company and the CEO against the applicable KPIs and determines the STI amount payable to the CEO. **Other executive KMP:** At the end of the financial year the CEO assesses the actual performance of the Group and the executive KMPs against the applicable KPIs and determines the STI amount payable to each executive. The CEO provides these assessments to the Committee for review.	The Group engages Deloitte Touche Tohmatsu ("Deloitte") to report on the Company's TSR ranking within the comparator group as defined in each of the LTI plans at each vesting date. The Company may engage an independent consultant to report on the Company's Absolute EPS performance over the vesting period for each LTI grant, which will first be required as at 30 June 2018.
Cessation of employment	"Bad Leavers" (who resign or are terminated for cause) will forfeit their STI entitlement, unless otherwise determined by the Board or the CEO as appropriate. The STI payments of executives who cease employment for other reasons are pro-rated for time and performance, unless otherwise determined by the Board.	"Bad Leavers" (who resign or are terminated for cause) will forfeit any unvested performance rights, unless otherwise determined by the Board. For executives who cease employment for other reasons, 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 period.

	Short-term incentives	Long-term incentives
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.	In the event of a change of control before vesting of an LTI award, the Board has discretion as to how to treat the unvested award, including to determine that the award will vest or lapse in whole or in part, or that it will continue subject to the same or different conditions.
Clawback	The Board may reconsider the level of satisfaction of a performance measure and take steps to reduce the benefit of an STI award to the extent its vesting was affected by fraud, dishonesty, breach of obligation or other action likely to result in long term detriment to the Company.	The Board may reconsider the level of satisfaction of a performance hurdle and take steps to reduce the benefit of an LTI award to the extent its vesting was affected by fraud, dishonesty, breach of obligation or other action likely to result in long term detriment to the Company.
Other features	**Discretionary elements**: The Board (for KMP) and the CEO (for other executives) have discretion to grant additional bonuses for special projects or achievements that are not contemplated in the normal course of business or that have a particular strategic impact for the Company, such as acquisitions and divestments, refinancing, or major capex projects. **Minimum employment period**: Participants must be employed for at least three months in the performance period to be entitled to receive and STI payment.	**Treatment of dividends**: There are no dividends payable to participants on unvested performance rights. Once performance rights have vested to fully paid ordinary shares, the participant will be entitled to dividends on these shares. **Sourcing of shares**: The Board has discretion to purchase shares on market or to issue new shares in respect of vested performance rights.

1.4 Retention bonuses for certain senior executives

The Board determined in May 2015 that Nick McKechnie (CFO) and Guy Dobson (Chief Creative Officer) would be provided with a retention bonus opportunity to remain with the Company during the transitional period of leadership by the Executive Chairman in May 2015.

The retention bonus for Nick McKechnie was $120,000 and was subject to his continuing employment to 30 June 2016. The bonus was constituted by the grant of 117,878 performance rights in accordance with the LTI plan, each with a fair value taken to be equal to the VWAP of the Company's shares ($1.0180) for the five days commencing on 11 May 2015. Nick McKechnie remains in employment with the Company and accordingly these performance rights will vest and be converted to 117,878 fully paid ordinary shares on or around 26 August 2016 following release of the Company's annual results.

The retention bonus for Guy Dobson was $100,000 and was subject to his continuing employment to 30 June 2016 and certain other performance targets relating to radio ratings. Guy Dobson remains in employment with the Company; however, the applicable performance targets were not achieved and, accordingly, this retention bonus will not be payable.

1.5 Consequences of performance on shareholder value

In considering the Group's performance and the benefits for shareholder value, the Board has regard to the following indicators in the current financial year and the preceding four financial years.

	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
	$'000	$'000	$'000	$'000	$'000
Revenue	642,289	611,120	640,834	653,114	687,313
EBITDA	167,722	163,262	179,705	210,991	225,780
EBITDA %	*26.1%*	*26.7%*	*28.0%*	*32.3%*	*32.8%*
Net profit before tax	114,177	(265,216)	(279,577)	133,269	126,282
Net profit after tax ("NPAT")	77,243	(284,950)	(296,008)	96,111	95,022
NPAT %	*12.0%*	*(46.6%)*	*(46.2%)*	*14.7%*	*13.8%*
Net profit after tax excluding significant items	77,243	64,783	79,629	96,111	95,022
NPAT % excluding significant items	*12.0%*	*10.6%*	*12.4%*	*14.7%*	*13.8%*

	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
Opening share price	$0.97	$1.07	$1.43	$1.20	$1.55
Closing share price	$1.25	$0.97	$1.07	$1.43	$1.20
Dividend/Distribution	6.25c	6.0c	7.5c	9.0c	10.0c

1.6 Executive service contracts

The Company has entered into service contracts setting out the terms of employment of each executive KMP. All service contracts are for an indefinite term, subject to termination by either party on six months' notice (12 weeks' notice in the case of Rick Lenarcic). In recognition that Vijay Solanki had relocated from overseas to join the Company, his service contract included provision for termination on 12 months' notice. Each executive service contract provides for the payment of base salary and participation in the Company's STI and LTI plans, along with other prescribed non-monetary benefits.

1.7 Services from remuneration consultants

The Committee engaged KPMG to provide an independent report benchmarking the remuneration of the Company's executive KMP and its non-executive directors. KPMG met with management to obtain relevant information, but KPMG provided its report directly to the Committee. KPMG was paid $28,000 for these services. Neither KPMG nor any other external adviser provided any remuneration recommendation to the Company during the year.

Deloitte was engaged during the year to assess the performance of the Company's LTI plans as at each vesting date and, for this purpose, to determine the Group's TSR ranking within the comparator group and EPS growth over the applicable performance periods. Deloitte was also engaged to determine the fair value of performance rights granted under the LTI plan during the year. Deloitte was paid $21,000 for these services.

1.8 Remuneration of non-executive directors

The Company enters into a letter of appointment with each non-executive director. The letter sets out the Board's expectations for non-executive directors and the remuneration payable to non-executive directors.

The maximum annual aggregate fee pool for non-executive directors is $1,500,000. This was approved by shareholders at the 2011 Annual General Meeting.

The Chairman and the Deputy Chairman receive a fixed aggregate fee. Other non-executive directors receive a base fee for acting as a director and additional fees for participation as chair or as a member of the Board's committees. Non-executive directors do not receive performance-based fees and are not entitled to retirement benefits as part of their fees.

Following consideration of the benchmarking report prepared by KPMG, the Board's base and committee fees will be increased by 6% in 2017, the first time since 2011 that these fees have been adjusted. Fees will be increased in subsequent years by 3%, with a benchmarking report to be obtained again in three years' time. The number of non-executive directors reduced from eight to seven during the year and the aggregate remuneration of non-executive directors in 2017 will be less than in 2016.

The table below sets out the fees for non-executive directors that applied in 2015 and 2016 and those that will apply in 2017.

	2015	2016	2017
	$	$	$
Base fees – Annual			
Chairman[1]	250,000	250,000	265,000
Deputy Chairman[1]	161,500	161,500	171,000
Other Non-Executive Directors	125,000	125,000	132,000
Committee fees – Annual			
Audit & Risk Committee – Chairman	21,000	21,000	22,500
Audit & Risk Committee – member	14,000	14,000	15,000
People & Culture Committee[2] – Chairman[1]	15,000	15,000	16,000
People & Culture Committee[2] – member	10,000	10,000	10,500
Nomination Committee - Chairman[1]	15,000	15,000	16,000
Nomination Committee – member	10,000	10,000	10,500

1 The Chairman and Deputy Chairman do not receive any additional fees for committee work. Accordingly, the fees set out above for chair of the Nomination Committee and the People & Culture Committee respectively were not paid during 2015 or 2016.

2 During the year the Remuneration Committee was renamed as the People & Culture Committee.

2. Remuneration of executive KMP and directors during the year

2.1 Executive KMP

The table below sets out the nature and amount of each major element of the remuneration of each executive KMP in 2016 and 2015.

		Short-term employee benefits				Post-employ-ment	Other long-term[2]	Termination benefits	Share-based payments	Total	Performance -related proportion
Executive[1]	**Year**	**Salary and fees**	**STI cash bonus[3]**	**Non-monetary**	**Total**	**Super con-tribution**			**Performance rights[4]**		
		$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Grant Blackley	2016	1,098,501	500,000	3,866	1,602,367	19,308	5,011	-	100,000	1,726,686	34.7
Chief Executive Officer and Managing Director	2015	8,750	-	-	8,750	831	-	-	-	9,581	-
Nick McKechnie	2016	500,000	150,000	2,807	652,807	19,308	(12,743)	-	220,000[6]	879,372	42.1
Chief Financial Officer	2015	407,197	17,500	2,461	427,158	17,146	2,345	-	50,000	496,649	13.6
John Kelly	2016	214,872	58,330	844	274,046	9,654	14,127	-	-	297,827	19.6
Chief Operating Officer	2015	-	-	-	-	-	-	-	-	-	-
Brian Gallagher	2016	481,884	150,000	3,669	635,553	19,308	15,060	-	33,333	703,254	26.1
Chief Sales Officer	2015	-	-	-	-	-	-	-	-	-	-
Guy Dobson	2016	633,530	59,580	5,146	698,256	19,308	38,282	-	98,608	854,454	18.5
Chief Content Officer	2015	633,530	14,000	5,872	653,402	18,873	11,632	-	98,605	782,512	14.4
Rick Lenarcic	2016	359,545	96,700	25,178	481,423	19,308	48,952	-	86,109	635,792	28.8
Head of Regional Media	2015	210,000	68,003	12,829	290,832	14,088	25,538	-	76,801	407,259	35.6
Vijay Solanki[5]	2016	351,500	24,000	5,146	380,646	23,876	(3,752)	294,531	33,333	728,634	3.5
Chief Digital Enablement Officer	2015	50,214	-	-	50,214	4,696	3,752	-	-	58,662	-
Peter Bush	2016	-	-	-	-	-	-	-	-	-	-
Former Executive Chairman	2015	51,136	-	-	51,136	-	-	-	-	51,136	-
Rhys Holleran	2016	-	-	-	-	-	-	-	-	-	-
Former Chief Executive Officer	2015	975,000	70,000	33,536	1,078,536	25,000	(1,088,498)	1,990,034	116,667	2,121,739	8.8
Andrea Ingham	2016	-	-	-	-	-	-	-	-	-	-
Former National Sales Director	2015	401,500	10,000	5,872	417,372	18,873	3,420	-	88,884	528,549	18.7
Craig Bruce	2016	-	-	-	-	-	-	-	-	-	-
Former Head of Content	2015	130,882	-	-	130,882	4,696	(11,728)	-	-	123,850	-
Clive Dickens	2016	-	-	-	-	-	-	-	-	-	-
Former Director of Digital and Innovation	2015	202,192	-	3,652	205,844	16,761	7,113	-	-	229,718	-
Peter Lewis	2016	-	-	-	-	-	-	-	-	-	-
Former Chief Financial Officer	2015	94,573	-	-	94,573	4,641	-	-	-	99,214	-
Total executive KMP	2016	3,639,832	1,038,610	46,656	4,725,098	130,070	104,937	294,531	571,383	5,826,019	27.6
	2015	3,164,974	179,503	64,222	3,408,699	125,605	(1,046,426)	1,990,034	430,957	4,908,869	12.4

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 in each year. Grant Blackley commenced on 29 June 2015. John Kelly commenced on 1 February 2016. Brian Gallagher commenced on 15 July 2015. Vijay Solanki commenced on 11 May 2015 and resigned with effect from 30 June 2016.

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.

3 The STI bonus is for performance during the year using the criteria set out on page 15. The amount was finally determined by the Board on 24 August 2016 after considering recommendations of the People & Culture Committee.

4 The fair value of the performance rights granted during the year was determined by the Company's independent consultant, Deloitte. In accordance with the applicable accounting standards, AASB 2 "Share-based Payment" and AASB 124 "Related Party Disclosures", Deloitte used a Monte Carlo simulation model for the Relative TSR performance rights and a Black-Scholes-Merton model for the Absolute EPS performance rights. The value disclosed is the portion of the fair value of the rights recognised as an expense in each reporting period.

5 Vijay Solanki resigned with effect from 30 June 2016. His former position of Chief Digital Enablement Officer has not been replaced.

6 The retention bonus for Nick McKechnie was $120,000 and was subject to his continuing employment to 30 June 2016. The bonus was constituted by the grant of 117,878 performance rights in accordance with the LTI plan.

2.2 Non-executive directors

The table below sets out the nature and amount of each major element of the remuneration of each non-executive director in 2016 and 2015.

		Short-term employee benefits			Post-employ-ment	Total
Non-executive director[1]	**Year**	**Salary and fees**	**Non-monetary**	**Total**	**Super con-tribution**	
		$	**$**	**$**	**$**	**$**
Peter Bush	2016	230,692	-	230,692	19,308	250,000
Chairman	2015	76,830	-	76,830	6,503	83,333
Leon Pasternak	2016	147,488	-	147,488	14,012	161,500
Deputy Chairman	2015	147,488	-	147,488	14,012	161,500
Glen Boreham	2016	126,027	-	126,027	11,973	138,000
Non-executive director	2015	102,740	-	102,740	9,760	112,500
Chris de Boer	2016	130,592	-	130,592	12,408	143,000
Non-executive director	2015	142,464	-	142,464	13,536	156,000
Kathy Gramp	2016	136,072	-	136,072	12,928	149,000
Non-executive director	2015	108,066	-	108,066	10,267	118,333
Peter Harvie	2016	123,288		123,288	11,712	135,000
Non-executive director	2015	126,484	-	126,484	12,016	138,500
Rob Murray	2016	133,333	-	133,333	12,667	146,000
Non-executive director	2015	108,066	-	108,066	10,267	118,333
Helen Nash	2016	126,940	-	126,940	12,060	139,000
Non-executive director	2015	31,735	-	31,735	3,015	34,750
Melanie Willis	2016	13,187	-	13,187	1,253	14,440
Non-executive director	2015	-	-	-	-	-
Max Moore- Wilton	2016	-	-	-	-	-
Former non-executive director	2015	153,660	-	153,660	13,007	166,667
Michael Carapiet	2015	-	-	-	-	-
Former non-executive director	2015	31,250	-	31,250	-	31,250
TOTAL	**2016**	**1,167,619**	**-**	**1,167,619**	**108,321**	**1,275,940**
	2015	**1,028,783**	**-**	**1,028,783**	**92,383**	**1,121,166**

1 A number of non-executive directors did not hold their roles for the full financial year in 2015 or 2016. Remuneration is only disclosed for the time they were non-executive directors in each year. Peter Bush was appointed on 25 February 2015. Glen Boreham was appointed on 1 September 2014. Chris de Boer resigned on 26 May 2016. Kathy Gramp was appointed on 1 September 2014 and resigned on 21 June 2016. Rob Murray was appointed on 1 September 2014. Helen Nash was appointed on 23 April 2015. Melanie Willis was appointed on 26 May 2016.

3. Analysis of short term incentives included in remuneration

The table below sets out details of the vesting of short term incentive bonus payments awarded as remuneration to executive KMP for the year.

	Short term incentive bonus				
		% vested in year			
KMP	**Included in remuneration[1] $**	**Profitability and financial performance[5]**	**High level operational improvements**	**Cultural and behavioural influences**	**% forfeited in year[2]**
Grant Blackley	500,000	40%	40%	20%	-
Nick McKechnie	150,000	40%	40%	20%	-
John Kelly[3]	58,330	40%	40%	20%	-
Brian Gallagher	150,000	40%	40%	20%	-
Guy Dobson	59,580	-[4]	40%	20%	40%
Rick Lenarcic	96,700	40%	40%	16.7%	3.3%
Vijay Solanki	24,000	10%	13%	8%	69%

1 Amounts included in remuneration for the year represent the amounts related to the year based on achievement of corporate and personal goals for each executive. These amounts were approved by the Board on 24 August 2016.

2 The amounts forfeited are due to corporate and personal goals not being achieved in the year.

3 John Kelly's bonus was pro-rated for his employment of five months during the year.

4 The first performance measure was based on Creative and Content performance for Guy Dobson.

5 Although budget targets were achieved, the Board did not award any of the stretch opportunity of up to 115% available for the profitability and financial performance component of the STI plan.

4. Share-based incentive payments

All references to rights in this section are to performance rights over fully paid ordinary shares in the Company issued under the Company's LTI plan. Rights are convertible into fully paid ordinary shares in the Company on a one-for-one basis upon vesting in accordance with the Company's LTI plan. There are no options on issue under the Company's LTI plan.

4.1 Rights granted as remuneration during the year

The tables below set out details of the rights over shares granted as remuneration to each KMP under the Company's LTI plan during the year.

KMP	**Number of rights granted**
Grant Blackley	491,803
Nick McKechnie	245,902
John Kelly[1]	-
Brian Gallagher	163,934
Guy Dobson	163,934
Rick Lenarcic	163,934
Vijay Solanki	163,934

1 John Kelly commenced as Chief Operating Officer on 1 February 2016 and was not eligible for a grant of rights in the 2016 plan.

Details for all rights granted in financial year

	Relative TSR	Absolute EPS
Grant Date	2 September 2015	2 September 2015
Fair value at grant date	$0.45	$0.77
Vesting date	30 June 2018	30 June 2018

All rights expire on the earlier of their vesting date or termination of the executive's employment on a pro-rata basis. The rights vest at the end of the third financial year after their grant. This is 30 June 2018 for all rights granted in the year. In addition to a continuing employment condition, vesting is conditional on the Group achieving specified performance hurdles. Details of the performance hurdles are included in the discussion of the LTI plan on page 15. The fair value of rights issued during the year was determined by the Company's independent consultant, Deloitte, using a Monte Carlo simulation model for the Relative TSR performance rights and a Black-Scholes-Merton model for the Absolute EPS performance rights.

4.2 Details of equity incentives affecting current and future remuneration

The table below sets out the vesting profiles of rights held by each KMP as at 30 June 2016 and details of rights that vested during the year. At the end of the year, there were no rights that had vested and which had not been exercised by conversion to fully paid ordinary shares.

Name	Grant Date	Vesting Date	No. of Perf Rights Granted	Value of Perf Rights at Grant Date[3] $	No. of Perf Rights Vested and Exercised During the Year	Vested and Exercised %	No. of Perf Rights Forfeited During the Year[4]	Forfeited %[4]	No. of Perf Rights Remainin g at Year End	Value of Perf Rights yet to Vest $
Grant Blackley	FY16 Plan	01/07/2018	491,803	300,000	-	-	-	-	491,803	300,000
	Total		**491,803**	**300,000**	**-**	**-**	**-**	**-**	**491,803**	**300,000**
Nick McKechnie[1]	9 May 15	26/08/2016	117,878	120,000	-	-	-	-	117,878	120,000
	FY16 Plan	01/07/2018	245,902	150,000	-	-	-	-	245,902	150,000
	FY15 Plan	01/07/2017	192,704	150,000	-	-	-	-	192,704	150,000
	Total		**556,484**	**420,000**	**-**	**-**	**-**	**-**	**556,484**	**420,000**
Brian Gallagher	FY16 Plan	01/07/2018	163,934	100,000	-	-	-	-	163,934	100,000
	Total		**163,934**	**100,000**	**-**	**-**	**-**	**-**	**163,934**	**100,000**
Guy Dobson	FY16 Plan	01/07/2018	163,934	100,000	-	-	-	-	163,934	100,000
	FY15 Plan	01/07/2017	128,469	100,000	-	-	-	-	128,469	100,000
	FY14 Plan	01/07/2015	32,676	33,330	-	0.0%	32,676	100.0%	-	-
		01/07/2016	32,359	33,330	-	-	-	-	32,359	33,330
		01/07/2017	32,359	33,330	-	-	-	-	32,359	33,330
	FY13 Plan	01/07/2015	94,330	49,995	-	0.0%	94,330	100.0%	-	-
		01/07/2016	92,583	49,995	-	-	-	-	92,583	49,995
	Total		**576,710**	**399,980**	**-**	**0.0%**	**127,006**	**100.0%**	**449,704**	**316,655**
Rick Lenarcic	FY16 Plan	01/07/2018	163,934	100,000	-	-	-	-	163,934	100,000
	FY15 Plan	01/07/2017	128,469	100,000	-	-	-	-	128,469	100,000
	FY14 Plan	01/07/2015	22,874	23,333	-	0.0%	22,874	100.0%	-	-
		01/07/2016	22,651	23,333	-	-	-	-	22,651	23,333
		01/07/2017	22,651	23,333	-	-	-	-	22,651	23,333
	FY13 Plan	01/07/2015	44,021	23,333	-	0.0%	44,021	100.0%	-	-
		01/07/2016	43,206	23,333	-	-	-	-	43,206	23,333
	Total		**447,806**	**316,665**	**-**	**0.0%**	**66,895**	**100.0%**	**380,911**	**269,999**

Name		Grant Date	Vesting Date	No. of Perf Rights Granted	Value of Perf Rights at Grant Date[3] $	No. of Perf Rights Vested and Exercised During the Year	Vested and Exercised %	No. of Perf Rights Forfeited During the Year[4]	Forfeited %[4]	No. of Perf Rights Remaining at Year End	Value of Perf Rights yet to Vest $
Vijay Solanki[2]	FY16 Plan		01/07/2018	163,934	100,000	-	-	109,290	66.7%	54,644	33,333
	Total			**163,934**	**100,000**	**-**	**-**	**109,290**	**66.7%**	**54,644**	**33,333**

1 Nick McKechnie was granted 117,878 rights as a retention bonus, subject to his continuing employment to 30 June 2016. As described on page 19, these rights will vest on 26 August 2016.

2 Vijay Solanki resigned with effect from 30 June 2016. Two thirds of the rights granted to him in 2016 were forfeited. The balance of his rights remain eligible for vesting at the end of the 2016 plan.

3 The value of rights granted is the fair value of rights calculated at the grant date. The total value of rights granted in the table is allocated to remuneration over the vesting period.

4 The number and percentage of rights forfeited during the year is the reduction from the maximum number of rights available to vest due to the performance criteria not being satisfied, together with the rights forfeited by Vijay Solanki on his resignation with effect from 30 June 2016.

The only vesting condition for each grant of rights with a vesting date of 1 July 2015 was the Company's relative TSR performance against companies in the comparator group over the vesting period. As indicated in the table above, the vesting condition for each of these grants was not achieved. A summary of the Company's relative TSR performance over the vesting period for each of these grants, as provided by the Company's independent consultant, Deloitte, is provided below.

Grant	Percentile ranking	% vested
FY2012 – Tranche 4	38.0	0%
FY2013 – Tranche 3	30.0	0%
FY2014 – Tranche 2	17.0	0%

The only vesting condition for each grant of rights with a vesting date of 1 July 2016 was the Company's relative TSR performance against companies in the comparator group over the vesting period. The Company has also received a report from Deloitte relating to the vesting condition for each of these grants. A summary of the Company's relative TSR performance over the vesting period for each of these grants is provided below. The grants that have vested will be included in the remuneration of participating executives in 2017.

Grant	Percentile ranking	% vested
FY2013 – Tranche 4	17.0	0%
FY2014 – Tranche 3	27.0	0%

5. Payments to executives before taking office

There were no payments made during the year to any person as part of the consideration for the person taking office.

6. Transactions with KMP

6.1 Loans to KMP

There were no loans made to KMP or their related parties during the year.

6.2 Other transactions and balances with KMP

There were no other transactions with KMP or their related parties during the year.

7. KMP shareholdings

The table below sets out the movements in shares held directly or indirectly by KMP during the year.

	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	1,185,215	-	-	1,185,215
Glen Boreham	95,000	-	-	95,000
Peter Harvie	20,000	-	-	20,000
Rob Murray	-	-	50,000	50,000
Helen Nash	-	-	52,573	52,573
Melanie Willis	-	-	-	-
	1,300,215		102,573	1,402,788
Executives				
Grant Blackley	-	-	-	-
Nick McKechnie	26,760	-	-	26,760
John Kelly	-	-	-	-
Brian Gallagher	-	-	-	-
Guy Dobson	-	-	-	-
Rick Lenarcic	-	-	-	-
Vijay Solanki	-	-	-	-
	26,760	-	-	26,760

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 29.

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
25 August 2016	25 August 2016

Auditor's Independence Declaration

As lead auditor for the audit of Southern Cross Media Group Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

2. 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
25 August 2016

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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Statement of Comprehensive Income

		Consolidated	
	Note	2016 $'000	2015 $'000
Revenue from continuing operations	3	642,289	611,120
Broadcast and production costs		(111,627)	(107,756)
Employee expenses		(184,336)	(169,313)
Selling costs		(79,908)	(69,313)
Occupancy costs		(30,966)	(30,684)
Promotions and marketing		(19,004)	(19,009)
Administration costs		(49,012)	(51,962)
Share of net profit/(losses) of investments accounted for using the equity method	17	286	179
Profit before depreciation, amortisation, interest, impairment, fair value movements on financial derivatives and income tax expenses for the year from continuing operations		167,722	163,262
Depreciation and amortisation expense		(28,850)	(28,534)
Impairment of intangibles and investments	7,8	-	(361,414)
Interest expense and other borrowing costs	15	(26,029)	(40,216)
Interest revenue		1,334	1,686
Profit/(Loss) before income tax expense for the year from continuing operations		114,177	(265,216)
Income tax expense from continuing operations	5	(36,934)	(19,734)
Profit/(Loss) from continuing operations after income tax expense for the year		77,243	(284,950)
Other comprehensive income that may be reclassified to profit or loss:			
Changes to fair value of cash flow hedges, net of tax		(1,080)	4,284
Total comprehensive profit/(loss) for the year attributable to shareholders		**76,163**	**(280,666)**
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	13	10.12	(39.27)
Diluted earnings per share (cents)	13	10.10	(39.27)

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

Statement of Financial Position

		Consolidated	
	Note	2016 $'000	2015 $'000
Current assets			
Cash and cash equivalents		94,776	143,051
Receivables	10	142,003	122,038
Total current assets		**236,779**	**265,089**
Non-current assets			
Receivables	10	2,677	4,550
Investments accounted for using the equity method	17	3,657	3,059
Property, plant and equipment	6	145,249	163,841
Intangible assets	7	1,289,509	1,289,440
Deferred tax assets	5	9,922	12,336
Total non-current assets		**1,451,014**	**1,473,226**
Total assets		**1,687,793**	**1,738,315**
Current liabilities			
Payables	10	86,388	80,924
Deferred Income	10	12,590	7,768
Provisions	10	19,347	20,976
Borrowings	15	35,957	21,261
Current tax liabilities		9,109	7,128
Total current liabilities		**163,391**	**138,057**
Non-current liabilities			
Deferred Income	10	95,278	-
Provisions	10	11,839	13,790
Borrowings	15	433,864	647,964
Derivative financial instruments	16	3,273	1,732
Total non-current liabilities		**544,254**	**663,486**
Total liabilities		**707,645**	**801,543**
Net assets		**980,148**	**936,772**
Equity			
Contributed equity	14	1,379,386	1,365,110
Reserves		2,462	3,014
Other equity transaction	14	(77,406)	(77,406)
Accumulated losses		(324,592)	(354,244)
Equity attributable to equity holders		**979,850**	**936,474**
Non-controlling interest		298	298
Total equity		**980,148**	**936,772**

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

Statement of Changes in Equity

2016

	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 2015	1,365,110	4,226	(1,212)	(77,406)	(354,244)	936,474	298	936,772
Profit for the year	-	-	-	-	77,243	77,243	-	77,243
Other comprehensive income	-	-	(1,080)	-	-	(1,080)	-	(1,080)
Total comprehensive income	-	-	(1,080)	-	77,243	76,163	-	76,163
Transactions with equity holders in their capacity as equity holders:								
Employee share entitlements	-	528	-	-	-	528	-	528
Shares issued, net of transaction costs	14,276	-	-	-	-	14,276	-	14,276
Dividends paid	-	-	-	-	(47,591)	(47,591)	-	(47,591)
	14,276	528	-	-	(47,591)	(32,787)	-	(32,787)
Total equity at 30 June 2016	1,379,386	4,754	(2,292)	(77,406)	(324,592)	979,850	298	980,148

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

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

Statement of Cash Flows

		Consolidated	
	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers		793,755	668,659
Payments to suppliers and employees		(538,508)	(507,267)
Interest received from external parties		1,334	1,686
Tax paid		(32,843)	(44,338)
Net cash inflows from operating activities	9	**223,738**	**118,740**
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(23,262)	(28,232)
Payments for purchase of intangibles		(69)	(242)
Proceeds from sale of property, plant and equipment		16,141	9,640
Net cash flows used in investing activities		**(7,190)**	**(18,834)**
Cash flows from financing activities			
Dividends paid to security holders		(33,680)	(15,774)
Proceeds from DRP underwrite		-	15,774
Net proceeds from receivables financing		14,640	22,161
Repayment of borrowings from external parties		(215,000)	-
Interest paid to external parties		(30,485)	(40,567)
Payments for finance leases		(298)	(539)
Net cash flows used in financing activities		**(264,823)**	**(18,945)**
Net (decrease)/increase in cash and cash equivalents		(48,275)	80,961
Cash assets at the beginning of the year		143,051	62,090
Cash assets at the end of the year		**94,776**	**143,051**

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

Notes to the Financial Statements

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 2016 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 ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission. The Group and the Company have relied on the relief provided by the instrument in the directors' report and in the notes to the financial statements. Amounts in the financial report have been rounded off in accordance with that Instrument 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 41
Note 8	Impairment	Page 42

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

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	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Segment Revenue	**242,253**	224,147	**382,267**	361,553	**17,769**	25,420	**642,289**	611,120
EBITDA / Segment Result	**51,437**	57,788	**131,150**	114,723	**(14,865)**	(9,249)	**167,722**	163,262
EBITDA % of Revenue	**21.2%**	25.8%	**34.3%**	31.7%	**(83.7%)**	(36.4%)	**26.1%**	26.7%
Impairment of intangibles and investments	**-**	(276,468)	**-**	(84,946)	**-**	-	**-**	(361,414)
Depreciation and Amortisation	**(5,502)**	(4,995)	**(13,981)**	(14,384)	**(9,367)**	(9,155)	**(28,850)**	(28,534)
Statutory EBIT / Segment Result	**45,935**	(223,675)	**117,169**	15,393	**(24,232)**	(18,404)	**138,872**	(226,686)
Income tax expense	**-**	-	**-**	-	**-**	-	**(36,934)**	(19,734)
Financing costs	**-**	-	**-**	-	**-**	-	**(24,695)**	(38,530)
Profit/(Loss) for the year attributable to shareholders	**-**	-	**-**	-	**-**	-	**77,243**	(284,950)

3. Revenue

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

	Consolidated	
	2016	**2015**
	$'000	**$'000**
Revenue from continuing operations		
Sales revenue	632,993	602,419
Rental revenue	6,562	6,261
Net income from sale of property plant & equipment	2,734	2,440
Total revenue from continuing operations	**642,289**	**611,120**

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	
	2016 $'000	2015 $'000
Impairment of intangibles and investments (refer notes 7 and 8)	-	(361,414)
Derecognition of Deferred Tax Liability on impairment (note 5)	-	11,681
Total Significant Items included in net loss afer tax	**-**	**(349,733)**

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	
	2016 $'000	2015 $'000
Income tax expense/(benefit)		
Current tax		
Current tax on profits for the year	33,188	31,929
Adjustments for current tax of prior periods	870	(3,419)
Total current tax expense	**34,058**	**28,510**
Deferred income tax		
Decrease/(increase) in net deferred tax assets	3,372	(12,498)
Adjustments for deferred tax of prior periods	(496)	3,722
Total deferred tax expense/(benefit)	**2,876**	**(8,776)**
Reconciliation of income tax expense to prima facie tax payable		
Profit/(Loss) before income tax expense	114,177	(265,216)
Tax at the Australian tax rate of 30%	34,253	(79,565)
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
Share of net profits of associates	(86)	(53)
Non deductible entertainment expenses	1,693	1,499
Other (deductible expenses)/(non-assessable income)/non-deductible expenses	700	806
Adjustments recognised in the current year in relation to prior years	374	303
Income tax expense	**36,934**	**19,734**

5. Income Tax Expense (continued)

Deferred Tax Assets	Consolidated	
	2016 $'000	**2015 $'000**
The balance comprises temporary differences attributable to:		
Licences and brands	(3,253)	(3,253)
Employee benefits	5,797	6,197
Provisions	3,413	4,085
Interest rate swaps	982	519
Other	2,983	4,788
Net balance disclosed as deferred tax assets	**9,922**	**12,336**

For the year ended 30 June 2016, the Company had $0.5 million of income tax benefit (2015: $1.8 million expense) recognised directly in equity in relation to cash flow hedges, with a corresponding deferred tax asset (2015: 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 impairment in 2015, the DTL was 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 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
2016	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cost	38,050	34,590	355,883	8,648	437,171
Accumulated depreciation expense	(10,528)	(20,922)	(260,472)	-	(291,922)
Net carrying amount	**27,522**	**13,668**	**95,411**	**8,648**	**145,249**
Movement					
Net carrying amount at beginning of year	34,122	15,484	106,004	8,231	163,841
Additions	1,390	329	13,049	7,947	22,715
Disposals	(6,930)	-	(6,477)	-	(13,407)
Depreciation expense	(1,060)	(2,000)	(24,840)	-	(27,900)
Transfers	-	(145)	7,675	(7,530)	-
Net carrying amount at end of year	**27,522**	**13,668**	**95,411**	**8,648**	**145,249**

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**

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	25 – 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
2016	**$'000**	**$'000**	**$'000**	**$'000**
Cost	352,129	1,589,574	89,584	2,031,287
Accumulated impairment expense	(352,129)	(364,801)	(24,848)	(741,778)
Net carrying amount	**-**	**1,224,773**	**64,736**	**1,289,509**
Movement				
Net carrying amount at beginning of year	-	1,224,773	64,667	1,289,440
Additions	-	-	69	69
Impairment expense	-	-	-	-
Net carrying amount at end of year	**-**	**1,224,773**	**64,736**	**1,289,509**

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**

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 2016 and 30 June 2015 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
2016	**$'000**	**$'000**	**$'000**
Goodwill allocated to CGU	-	-	-
Indefinite lived intangible assets allocated to CGU	673,239	616,270	1,289,509
Total goodwill and indefinite lived intangible assets	**673,239**	**616,270**	**1,289,509**

Key Judgement	%	%
Value in use assumptions (see part (b))		
Revenue growth – Forecast Period	0.3	3.6
Cost growth – Forecast Period	0.8	2.8
Long-term growth rate – terminal value	1.0	2.3
Discount rate (pre-tax)	12.8	12.2

8. Impairment (continued)

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

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

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

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 Regional and Metro CGU's. Negative variances may cause impairment in future periods. The following reasonable shifts in key assumptions would result in a recoverable amount equal to the carrying value:

Sensitivity	Change in variable	
2016	**Regional CGU**	**Metro CGU**
	%	**%**
Revenue growth – Forecast Period	-0.9%	-1.2%
Cost growth – Forecast Period	+1.2%	+1.6%
Long-term growth rate – terminal value	-0.9%	-1.6%
Discount rate (pre-tax)	+0.9%	+1.6%

At 30 June 2015 recoverable amount was equal to the carrying value for the Regional and Metro CGU's following the recording of impairment losses in that year of $84.9 million in the Regional CGU and $276.5 million in the Metro CGU.

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

	Consolidated	
	2016 $'000	2015 $'000
Profit/(Loss) after income tax	77,243	(284,950)
Impairment of investments and non-current assets	-	361,414
Depreciation and amortisation	28,850	28,534
Profit on disposal of assets	(2,734)	(2,440)
Share of associate (profit)/loss	(286)	(179)
Interest expense and other borrowing costs included in financing activities	26,029	40,216
Share-based payments	3,261	3,828
Change in operating assets and liabilities:		
Increase in receivables	(20,772)	(5,247)
Decrease/(increase) in deferred taxes (net of tax movement in hedge reserve)	2,876	(8,776)
Increase in payables (excluding interest expense classifed as financing activities)	10,886	4,054
Increase/(decrease) in deferred income	100,100	(672)
Increase/(decrease) in provision for income tax	1,578	(15,828)
Decrease in provisions	(3,293)	(1,214)
Net cash inflows from operating activities	**223,738**	**118,740**

10. Receivables, Payables, Deferred Income and Provisions

a) Receivables

	Consolidated 2016 $'000	Consolidated 2015 $'000
Current		
Trade receivables	127,412	110,766
Provision for doubtful debts	(650)	(663)
Prepayments	12,520	10,040
Other	2,721	1,895
	142,003	**122,038**

	Consolidated 2016 $'000	Consolidated 2015 $'000
Non-current		
Refundable deposits	81	605
Related parties	786	1,255
Other	1,810	2,690
	2,677	**4,550**

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 2016	**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	115,263	8,136	1,952	2,061	127,412
Provision for doubtful debts	-	-	-	(650)	(650)

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)

The Group has recognised expenses in respect of bad and doubtful trade receivables during the year ended 30 June 2016 of $665,927 (2015: expense of $719,842). 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, Deferred Income 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	
	2016	**2015**
	$’000	**$’000**
Current		
Carrying amount of transferred receivables (included in trade receivables)	55,427	47,309
Carrying amount of associated secured borrowing (included in secured borrowings)	(36,801)	(22,161)

b) Payables

	Consolidated	
	2016	**2015**
	$’000	**$’000**
Current		
Trade creditors	15,596	8,761
GST payable	3,812	3,809
Accruals and other payables	66,980	68,354
	86,388	**80,924**

10. Receivables, Payables, Deferred Income and Provisions (continued)

b) Payables (continued)

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.

c) Deferred Income

	Consolidated	
	2016 $'000	2015 $'000
Current		
Deferred income	12,590	7,768
	12,590	**7,768**

	Consolidated	
	2016 $'000	2015 $'000
Non-current		
Deferred income	95,278	-
	95,278	**-**

Recognition and Measurement

Deferred Income

During the year the Group entered into a long-term contract with Australian Traffic Network (ATN) for it to provide traffic reports for broadcast on Southern Cross Austereo (SCA) radio stations. SCA received payment of $100 million from ATN in return for its stations broadcasting advertising tags provided by ATN attached to news and traffic reports. The contract has a term of 20 years, with an option for ATN to extend it by a further 10 years. The $100 million payment has been recorded on the balance sheet under “Deferred Income” and will be released to the Income Statement over a 30 year period, unless the contract ends after 20 years at which point the remaining balance will be recognised as revenue in year 20. This treatment will match the receipt of future broadcasting services, airtime and traffic management services that the Group is required to provide over the life of the contract.

In addition to the payment received from ATN, deferred income 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, Deferred Income and Provisions (continued)

d) Provisions

	Consolidated	
	2016	**2015**
	$'000	**$'000**
Current		
Employee benefits	17,178	18,600
Onerous contracts	1,574	1,528
Lease provisions	595	848
	19,347	**20,976**

	Consolidated	
	2016	**2015**
	$'000	**$'000**
Non-current		
Employee benefits	2,144	2,057
Onerous contracts	3,241	4,815
Lease provisions	6,454	6,918
	11,839	**13,790**

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

	Consolidated	
	2016	**2015**
	$'000	**$'000**
Balance at the beginning of the financial year	14,109	16,452
Movements in the year	(2,245)	(2,343)
Balance at the end of the financial year	**11,864**	**14,109**

10. Receivables, Payables, Deferred Income and Provisions (continued)

d) Provisions (continued)

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.

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 high quality corporate bond rates 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 has taken measures to reduce net debt and has achieved its 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. The DRP was in operation for the 2015 final dividend but was suspended for the 2016 interim dividend following the successful reduction in the Group's leverage ratio.

For the final 2015 dividend, the DRP operated with a 2.5% discount being offered to participants (2015: 2.5% discount for the final 2014 and interim 2015 dividends) and achieved a participation rate of 61.53% (2015: average of 63%).

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

Debt Facilities

Syndicated Debt Facility

The Group has a $495 million (2015: $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. During the year, the Group cancelled $155 million of this facility to reduce its commitment from $650 million to $495 million.

Covenants

For the duration of the Syndicated Facility Agreement, the Banking Group, being Southern Cross Austereo Pty Ltd and its subsidiaries has a maximum leverage ratio covenant of 3.5 times and a minimum interest cover ratio of 3.0 times. As at 30 June 2016, the leverage ratio was 1.89 times and the interest cover ratio was 7.6 times.

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, and 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, it is 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

The capital expenditure for 2016 was $22.7 million (2015: $27.7 million).

During the year the Group divested a number of non-core properties which resulted in approximately $16.1 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	
	2016	**2015**
	$'000	**$'000**
The dividends were paid as follows:		
Interim dividend paid for the half year ended 31 December 2015/2014 - fully franked at the tax rate of 30%	24,983	21,970
Final dividend paid for the year ended 30 June 2015/2014 – fully franked at the tax rate of 30%	22,608	21,157
	47,591	**43,127**
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan were as follows:		
Paid in cash	33,680	15,774
Satisfied by issue of shares	13,911	27,353
	47,591	**43,127**
	Cents per share	**Cents per share**
Interim dividend paid for the half year ended 31 December	3.25	3.00
Final dividend paid for the year ended 30 June	3.00	3.00
	6.25	**6.00**

The Group has $122.5 million of franking credits at 30 June 2016 (2015: $111.9 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.

Since the end of the financial year the Directors have declared the payment of a final 2016 ordinary dividend of $26.9 million (3.5 cents per fully paid share) out of current year earnings. This dividend will be paid on 11 October 2016 by the Company.

13. Earnings per Share

	Consolidated	
	2016	**2015**
Continuing Operations		
Profit/(Loss) attributable to shareholders from continuing operations ($'000)	77,243	(284,950)
Profit attributable to shareholders from continuing operations excluding significant items ($'000)	77,243	64,783
Weighted average number of shares used as the denominator in calculating basic earnings per share (shares, '000)	763,422	725,688
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (shares, '000)	765,025	725,688
Basic earnings per share (cents per share)	10.12	(39.27)
Diluted earnings per share (cents per share)	10.10	(39.27)
Excluding Significant Items (refer note 4)		
Basic earnings per share excluding significant items (cents per share)	10.12	8.93
Diluted earnings per share excluding significant items (cents per share)	10.10	8.93
Dividends paid/proposed for the year as a % of NPAT (excluding significant items)	**67.2%**	**68.8%**

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	
	2016 **$'000**	**2015** **$'000**
Ordinary shares	1,379,386	1,365,110
Contributed equity	**1,379,386**	**1,365,110**

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	
	2016 $'000	2015 $'000	2016 Number of securities '000	2015 Number of securities '000
On issue at the beginning of the financial year	1,365,110	1,686,878	753,586	705,247
Capital reduction	-	(368,000)	-	-
Shares issued for equity component in talent contracts	365	3,105	304	3,174
Shares issued in relation to the DRP and DRP underwrite	13,911	43,127	14,837	45,165
On issue at the end of the financial year	**1,379,386**	**1,365,110**	**768,727**	**753,586**

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 (2015: nil) and 1,393,443 (2015: 1,027,757) performance rights have been granted. In the current year, $527,762 (2015: $723,407) 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 (2015: $77.4 million) in connection with the IPO of the Group.

15. Borrowings

a) Total interest bearing liabilities

	Consolidated 2016 $'000	Consolidated 2015 $'000
Current secured borrowings		
Borrowing costs	(973)	(984)
Securitised receivables	36,801	22,161
Lease liabilities	129	84
Total secured current interest bearing liabilities	**35,957**	**21,261**

	Consolidated 2016 $'000	Consolidated 2015 $'000
Non-current secured borrowings		
Bank facilities	435,000	650,000
Borrowing costs	(1,268)	(2,249)
Lease liabilities	132	213
Total secured non-current interest bearing liabilities	**433,864**	**647,964**
Total current and non-current borrowings	**469,821**	**669,225**

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 2016 the amount of funding received under the securitised facility was $36.8 million (2015: $22.2 million).

b) Interest expense

	Consolidated 2016 $'000	Consolidated 2015 $'000
Interest expense and other borrowing costs		
External banks	25,053	39,079
Amortisation of borrowing costs	976	1,137
Total interest expense and other borrowing costs	**26,029**	**40,216**

c) Bank facilities and assets pledged as security

The $495 million debt facilities (2015: $650 million) 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 4.28% (2015: 4.83%). 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:

	Consolidated	
	2016 $'000	2015 $'000
Current assets		
Floating charge		
Cash and cash equivalents	94,770	143,046
Receivables	141,068	121,543
Total current assets pledged as security	235,838	264,589
Non-current assets		
Floating charge		
Receivables	2,597	3,633
Investments accounted for using the equity method	3,266	2,980
Property, plant and equipment	145,249	163,841
Intangible assets	1,289,509	1,289,440
Total non-current assets pledged as security	1,440,621	1,459,894
Total assets pledged as security	**1,676,459**	**1,724,483**

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 4.28% (2015: 4.83%). In 2015 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% (2015: 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	
	2016 **$'000**	**2015** **$'000**
Interest rate swap contracts – current liability	-	-
Interest rate swap contracts – non current liability	3,273	1,732
Total derivative financial instruments	**3,273**	**1,732**

Interest rate swap contracts

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 (2015: +/- 25 basis points) in the relevant interest rates at 30 June 2016 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
2016		**+25**	**-25**	**+25**	**-25**
Cash at bank	94,776	166	(166)	-	-
Interest rate swaps	(3,273)	-	-	1,396	(1,400)
Borrowings	(435,000)	(761)	761	-	-
2015		**+25**	**-25**	**+25**	**-25**
Cash at bank	143,051	250	(250)	-	-
Interest rate swaps	(1,732)	-	-	2,156	(2,168)
Borrowings	(650,000)	(1,138)	1,138	-	-

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	Total facilities
As at 30 June 2016	**$'000**	**$'000**	**$'000**	**$'000**
Line of credit value	495,000	5,000	65,000	565,000
Used at balance date	(435,000)	(4,113)	(36,801)	(475,914)
Unused at balance date	**60,000**	**887**	**28,199**	**89,086**

Consolidated	Bank facilities	Working capital facility	Non-recourse receivables financing facility	Total facilities
As at 30 June 2015	**$'000**	**$'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**

16. Financial Risk Management (continued)

b) Liquidity risk (continued)

The $495 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 2016 and 30 June 2015. 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 2016	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-5 years $'000	Greater than 5 years $'000
Lease liabilities	144	86	48	3	4
Borrowings – Principal	-	-	435,000	-	-
Interest cashflows[1]	17,758	17,958	8,640	-	-
Derivative financial instruments[2]	-	3,273	-	-	-
Securitised receivables	36,801	-	-	-	-
Payables[3]	82,576	-	-	-	-
Total	**137,279**	**21,317**	**443,688**	**3**	**4**

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	-	-
Securitised receivables	22,161	-	-	-	-
Payables[3]	77,115	-	-	-	-
Total	**127,939**	**28,309**	**29,282**	**663,687**	**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 $3.3 million (2015: $1.7 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	
	2016 $'000	2015 $'000
Carrying amount at the beginning of the financial year	3,059	2,880
Share of profit/(losses) after income tax	286	179
Contributions to associates and joint ventures	312	-
Carrying amount at the end of the financial year	**3,657**	**3,059**

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 2016	Effective ownership interest 2015
SCM No 1 Limited (SCM1)	Australia	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	**2016 $'000**	**2015 $'000**
Current assets	876	500
Non-current assets	964,654	944,486
Total assets	965,530	944,986
Current liabilities	4,260	3,467
Total liabilities	4,260	3,467
Net assets	961,270	941,519
Issued capital	1,281,798	1,267,522
Reserves	4,754	4,226
Retained profits – 2013 reserve	67,648	67,648
Accumulated losses – 2014 reserve	(96,805)	(96,805)
Retained profits – 2015 H1 interim reserve	22,761	22,761
Accumulated losses – 2015 H2 reserve	(323,833)	(323,833)
Retained profits – 2016 reserve	4,947	-
Total equity	961,270	941,519
Profit / (loss) for the year	**52,538**	**(279,102)**
Total comprehensive income	**52,538**	**(279,102)**

As a result of the impairment in 2015 of the Metro and Regional CGUs, the carrying value of the parent entity's investment in the relevant subsidiaries was 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 in 2015.

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 2016 (2015: nil). The parent entity has not given any unsecured guarantees at 30 June 2016 (2015: nil).

c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2016 (30 June 2015: $nil).

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

As at 30 June 2016, the parent entity had no contractual commitments (30 June 2015: $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 2016 was $527,762 (2015: $723,407).

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

Number of performance rights	2016	2015
Balance at beginning of the year	1,639,982	4,647,945
Granted during the year	1,393,443	1,027,758
Exercised during the year	-	-
Forfeited during the year	(957,662)	(4,035,721)
Balance at end of year	2,075,763	1,639,982
Exercisable at end of the year	-	-

Recognition and Measurement

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.

The fair value of the performance rights issued during 2016 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	2 September 2015	2 September 2015
Grant date share price	$0.93	$0.93
Fair value at grant date	$0.45	$0.77
Exercise price	Nil	Nil
Dividend yield	6.56%	6.56%
Risk free interest rate	1.79%	1.79%
Expected TSR volatility	37.81%	37.81%

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.

21. Remuneration of Auditors

	Consolidated	
	2016	**2015**
	$	**$**
(a) Audit and other assurance services		
PricewaterhouseCoopers Australian firm:		
Statutory audit and review of financial reports	644,400	724,400
Other assurance services	-	62,500
Regulatory returns	35,000	25,000
Total remuneration for audit and other assurance services	679,400	811,900
(b) Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax services	21,750	78,108
Total remuneration for taxation services	21,750	78,108
(c) Other services		
PricewaterhouseCoopers Australian firm:		
Debt advisory and cash management	-	126,812
Other consulting services	-	5,200
Total remuneration for other services	-	132,012
Total	**701,150**	**1,022,020**

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	
	2016	**2015**
	$	**$**
Short-term employee benefits	5,892,717	4,437,482
Post-employment benefits	238,391	217,988
Other long-term benefits	104,937	(1,046,426)
Termination payments	294,531	1,990,034
Share-based payments	571,383	430,957
	7,101,959	**6,030,035**

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 (2015: nil).

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 $5,547,037 (2015: $10,954,532) as dividends on securities held.

At 30 June 2016, the Group had nil (2015: $4,573) funds 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 $333 (2015: $22,383).

Macquarie ceased to be a related party as at 18 March 2016 following the sale of its 15.7 per cent stake in Southern Cross Media Group.

23. Leases and Other Commitments

	Consolidated	
	2016 $'000	**2015 $'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	2,850	3,832
	2,850	**3,832**
Operating leases		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	22,457	22,498
Later than one year but not later than 5 years	62,707	72,103
Later than 5 years	31,113	40,807
	116,277	**135,408**
Finance lease payment commitments		
Finance lease commitments are payable as follows:		
Within one year	144	103
Later than one year but not later than 5 years	136	225
Greater than five years	4	4
	284	332
Less: Future lease finance charges	(23)	(35)
	261	**297**
Lease liabilities provided for in the financial statements:		
Current	129	84
Non-current	132	213
Total lease liability	**261**	**297**

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 $25.5 million (2015: $25.3 million).

24. Events Occurring after Balance Date

Other than matters outlined elsewhere in this report, no matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations, results of operations or state of affairs of the Group in subsequent accounting periods.

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 $13.3 million (2015: $12.6 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 2015 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 2016 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. 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. 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 2016 the changes are not expected to materially impact the Group.	Mandatory for financial years commencing on or after 1 January 2018. The Group has not yet decided whether to adopt AASB 9 early.
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. 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. 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.	Mandatory for financial years commencing on or after 1 January 2018. Expected date of adoption by the Group: 1 July 2018.

AASB 16 Leases	The AASB has issued a new standard for lease accounting. AASB 16 will replace AASB 17.	Lessee accounting • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 includes disclosure requirements for lessees. Lessor accounting will not change significantly. 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 2019 but available for early adoption. Expected date of adoption by the Group: 1 July 2019.

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 30 to 69 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(i) 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	Leon Pasternak
Chairman	Deputy Chairman
Sydney, Australia	Sydney, Australia
25 August 2016	25 August 2016

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 2016, 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 Austero (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

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

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 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards 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 27 of the directors' report for the year ended 30 June 2016. 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 2016 complies with section 300A of the *Corporations Act 2001.*

PricewaterhouseCoopers

Sam Lobley

Partner

Melbourne
25 August 2016