SOUTHERN CROSS AUSTEREO
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ASX RELEASE **24 AUGUST 2017**

APPENDIX 4E
FOR THE YEAR ENDED 30 JUNE 2017

Results for Announcement to the Market (All comparisons to 30 June 2016)

Key Financial Information	$'000	up/down	% movement
Revenue from ordinary activities	687,244	Up	7.4%
Net profit from ordinary activities after tax	108,563	Up	40.5%

Dividend Information	Amount per share cents	Franked amount per share cents	Tax rate for franking credit
Interim FY2017 dividend per share (paid 11 April 2017)	3.75	3.75	30%
Final FY2017 dividend per share (to be paid 10 October 2017)	4.00	4.00	30%

The dividend reinvestment plan has been suspended and will not apply in respect of the final FY2017 dividend.

Final FY2017 Dividend Dates	
Ex-dividend date	8 September 2017
Record date	11 September 2017
Payment date	10 October 2017

	30 Jun 17	30 Jun 16
Net Tangible Assets Per Security	$(0.29)	$(0.40)

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 2017. This report is based on the consolidated Financial Report for the year ended 30 June 2017 which has been reviewed by PricewaterhouseCoopers with the Independent Auditor's Review Report included in the Financial Report.

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SOUTHERN CROSS AUSTEREO

FINANCIAL REPORT

FOR YEAR ENDED 30 JUNE 2017

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 24 August 2017. 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 2017 Annual Report is lodged. The 2017 Corporate Governance Statement is available in the 2017 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 2017. 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
- Rob Murray
- Helen Nash
- Melanie Willis
- Peter Harvie (resigned 28 March 2017)

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 $687.2 million, up 7.4% on the prior year revenues of $639.6 million, and Earnings before Interest, Taxes, Depreciation and Amortisation ("EBITDA") of $177.4 million, up 5.8% on prior year EBITDA of $167.7 million. Net Profit after Tax ("NPAT") of $108.6 million is up 40.5% on a prior year NPAT of $77.2 million. Current year results include a net $10.9 million benefit from material one-off items including the abolition of broadcast licence fees for the 2017 financial year, a net gain on the disposal of assets totalling $3.6 million and a $14.7 million deferred tax credit relating to the disposal of indefinite lived intangible assets in the Northern NSW television business. Net debt has reduced by a further 5.6% to $321.0 million and net finance costs of $18.8 million are down 23.9% on the prior year.

Review and Results of Operations (continued)

Segment Profit & Loss

	2017 $'m	2016 $'m	Variance
Regional	417.9	382.3	9.3%
Metro	247.1	242.3	2.0%
Corporate	22.2	15.0	48.0%
Total Revenue	**687.2**	**639.6**	**7.4%**
EBITDA			
Regional	125.8	131.1	(4.0%)
Metro	60.1	51.4	16.9%
Corporate	(8.5)	(14.8)	42.6%
Total EBITDA	**177.4**	**167.7**	**5.8%**
Group NPAT	**108.6**	**77.2**	**40.5%**

Regional

The Regional business consists of a number of regional radio and regional television licences. Each regional television licence receives programming from a metropolitan television network affiliate and 2017 was the first year in which the Group has received the majority of its programming from Channel Nine, compared with Channel Ten in previous years. This new affiliation arrangement has delivered incremental audience and has been the primary driver for the 9.3% revenue growth within the regional business.

On 31 May 2017, the Group completed sale of its Channel Ten affiliated television business in Northern New South Wales (NNSW), to Network Investments Pty Ltd, a wholly owned subsidiary of the WIN Television Network. The NNSW television business contributed an estimated $10.0 million in EBITDA with total proceeds from the sale being $55.0 million. The transaction resulted in a loss on sale of $3.1 million.

Regional radio continues to be a strong performer for the Group with advertising revenues of $165.4 million, up 2.0% on 2016. Revenue from national agency clients was up 3.4% as the Group has undertaken to increase the profile of Regional Radio by conducting audience surveys in many regional markets and working with key agency clients to help them better understand the benefits of Regional Radio advertising. Local revenues have been more subdued, growing at 1.3% as our local multimedia sales teams (radio and television) focussed their efforts on the successful affiliation change to Nine.

As part of our group wide capital management strategy we have continued the divestment of non-core assets and in 2017 the Group completed the sale of 45 regional transmission sites to Axicom, a specialist tower operator. The transaction divested $1.5-$2.0 million in EBITDA for total cash proceeds of $12.6 million, generated a profit on sale of $6.7 million and sees Axicom become responsible for all future site capital expenditure. The Group has entered into a long-term agreement for use of the sites.

Our 2017 Regional results include a benefit from the abolition of broadcast licence fees and the profit on sale of non-core assets as well as a negative earnings impact from additional investment in content, research and sales and the prior year sale and leaseback of certain properties.

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.

Overall, the metropolitan free-to-air radio advertising market has been relatively weak throughout 2017, declining 0.2% on the 2016 financial year, whilst investments in content and improved monetisation of inventory have led to the Group's share of this market increasing by 0.5 points to 29.1%. Improvements in the Hit Network have been the primary driver behind the Group's improving revenue share, whilst the Triple M Network share has remained consistent.

Metro EBITDA is up 16.9% due to top line revenue growth and a focus on containing back of house costs, whilst investing further in content and on-air activities. In addition, the 2017 results have benefited from the abolition of broadcast licence fees.

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 2017 results have been impacted by the favourable resolution of the copyright dispute.

Financial position

The financial position of the Group continues to improve with net debt reducing 5.6% on 2016 to finish the year at $321.0 million. In addition to this, the Group has extinguished its securitised receivables facility which had a drawn balance of $36.8 million at the end of 2016. The Group's key debt measures continue to improve with a leverage ratio of 1.81 times, down from 1.89 times in June 2016, and interest cover improving to 10.0 times, up from 7.6 times in June 2016.

Strategic Update

The 2017 financial year has seen the Group execute on a number of key strategic objectives:

1. Reduced exposure to free-to-air television through the sale of the Northern NSW business;
2. Optimisation of sales and improved monetisation of inventory has led to the Group outperforming the market in all revenue streams;
3. Successful implementation of the Nine television affiliation agreement and roll out of Nine Regional News has improved the outlook for the Group's television assets;
4. Further divestment of non-core assets simplifies the Group and improves future cash flows; and
5. Development and launch of PodcastOne Australia, a premium on demand podcast network.

The work that has been completed throughout 2017 leaves the Group in a strong operational position and well positioned to focus on its medium term strategic objectives:

1. **Optimising key audio assets** including maximising the value of our audiences across the Hit and Triple M Networks, creating digital radio sub-brands and establishing PodcastOne as the pre-eminent commercial podcast company in Australia.
2. **Ensuring an improved audio experience** for our audience through improved accessibility to our products on a range of different devices, enhanced consumer knowledge from mobile consumption and creating personalised audio experiences for our audiences.
3. **Monetising all available audience efficiently with clients** by delivering enhanced audience measurement and client friendly automated sales platforms.
4. **Exploring non-audio entertainment in growth markets.** The Group will investigate, validate and, where appropriate, create new businesses leveraging off the Group's existing core competencies. Organic opportunities and acquisitions will be considered that complement the Group's existing asset set.

Review and Results of Operations (continued)

2018 Outlook

We expect advertising markets to remain challenging, however consistency of Metro content, full establishment of regional television news and monetisation of digital radio will help deliver revenue growth. New revenue streams from PodcastOne and the launch of regional out of home advertising business, Mall Media, will complement revenue growth from existing assets. We will continue our focus on back office efficiency with non-revenue related cost growth to be around 1.5%.

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 4.1% 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's five year affiliation agreement with Nine, commenced on 1 July 2016, in Southern NSW, Regional Victoria and Queensland. Nine programming has traditionally delivered a significantly higher audience than Ten across these territories, which provided a revenue uplift in FY2017. A year on from transition and with a news service roll out nearing completion, there is further potential revenue upside. The Group's sales teams have established a Regional Development Program to drive incremental marketing 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. On 31 May 2017 the Group completed the sale of its NNSW television operations, which reduced its exposure to the television market. 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 help create 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 Group has consolidated the gains in metro audience share since last year, with full year market share of 29.1% compared to 28.7% in 2016. The Group will continue to focus on improving audience and commercial share through strategies, such as: • Investing in and retaining talent, as described above • Securing sporting rights, including the new six year agreement with the AFL which commenced on 1 November 2016 • 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 suffers 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 engaging digital audiences through the simulcast of its radio stations online and the creation of original digital content that extends its Hit and Triple M radio brands into multiple digital platforms. SCA is the number one radio group in the country with a unique digital audience of 1,257,000[1], more than double our nearest competitor. Following the handover of RadioApp (which the Group helped develop) to the CRA, the Group is now focused on the development of its branded digital properties. The Group's digital strategy is to utilise its broadcast, social and website reach to continuously engage audiences around our digital audio offering, driving people to our branded apps on which they can listen either live or on-demand. SCA currently has an install base of 1.7m[2] across its branded radio apps. The Group has also developed key partnerships with technology and content partners to ensure a competitive commercial product offering. Two developments during the year are: • Acquisition of the rights to exclusively represent Vevo, an extremely high demand video platform, in Australia, which entitles the Group to sell advertising for the region and talent integration for its clients, with a total audience of 8.4 million[3] • A partnership with PodcastOne, the largest advertiser-supported network in the United States, to set up PodcastOne Australia which will make available the best existing PodcastOne programmes, together with new unique Australian content. PodcastOne Australia has been available via mobile app and websites since July 2017.

[1] Nielsen Digital Ratings (Monthly), Figure for June 17

[2] AppAnnie: All Time Downloads.

[3] Vevo Analytics, Figures for May 17.

Community Involvement

As a local media organisation, the Company acknowledges its role in the fabric of regional and rural communities. The Company's local news services on radio and television keep communities up to date on the issues that matter to them, as well as providing local skilled jobs, promoting local events, supporting local businesses, providing local advertising opportunities and supporting local charities community initiatives. In conjunction with the Nine Network, during the year the Company rolled out enhanced local television news bulletins in regional Victoria, southern New South Wales and regional Queensland. In consultation with emergency and essential services organisations, the Company maintains procedures to broadcast warnings and information from emergency and essential services organisations where there is an existing or threatened emergency. During April 2017 the Company was proud to support essential services organisations and local communities in responding to Cyclone Debbie in regional Queensland and northern New South Wales.

The Company is a proactive contributor to the community. This is primarily through the annual *Give Me 5 for Kids* campaign, which raises funds for children's hospitals and children's wards in regional Australia. For the fourth year in a row, this campaign raised over $2 million. Supported by the volunteer spirit of our workforce, over 95% of these funds will be donated to local health services.

During 2016, the Company entered into two-year partnerships with OzHarvest, Black Dog Institute and CanTeen which have causes aligned with the values and demographic profile of our brands, audience and employees. The Company contributes its significant media assets and workforce to help these organisations to grow and develop their charitable activities.

Distributions and Dividends

Type	Cents per share	Total Amount $'m	Date of Payment
Final 2016 Ordinary	3.50	26.9	11 October 2016
Interim 2017 Ordinary	3.75	28.8	11 April 2017

Since the end of the financial year the Directors have declared the payment of a final 2017 ordinary dividend of $30.761 million (4.00 cents per fully paid share) out of current year earnings. This dividend will be paid on 10 October 2017 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 $255,603 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 & 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 & 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 and Inghams Group Limited. 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: 20 October 2016* *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.
Director **Glen Boreham AM**	*Appointed 1 September 2014* *Most recently elected by shareholders: 20 October 2016* *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 Business School 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.

Information on Directors (continued)

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 Procter & 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.
Director **Helen Nash**	*Appointed 23 April 2015* *Most recently elected by shareholders: 29 October 2015* *Board Committees: Audit & Risk Committee, People & Culture 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, Metcash Ltd and Inghams Group Ltd. She was formerly a non-executive director of Pacific Brands Ltd.
Director **Melanie Willis**	*Appointed 26 May 2016* *Most recently elected by shareholders: 20 October 2016* *Board Committees: Chair, Audit & Risk Committee, People & Culture 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 **Tony Hudson**	*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, the centrepiece of Melbourne's designation as a UNESCO City of Literature.

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.

The Nomination Committee did not meet formally during the year. Members of the Nomination Committee met informally to discuss Board succession issues during the year, including upon the resignation of Peter Harvie.

			Meetings of Committees			
	Board		**Audit & Risk**		**People & Culture**	
Director	Attended	Held	Attended	Held	Attended	Held
Peter Bush	12	12	1	*	*	*
Leon Pasternak	11	12	*	*	5	5
Grant Blackley	12	12	4	*	5	*
Glen Boreham	10	12	4	4	2	*
Peter Harvie[1]	9	9	*	*	*	*
Rob Murray	10	12	*	*	5	5
Helen Nash	12	12	4	4	5	5
Melanie Willis	12	12	4	4	5	5

Held refers to the number of meetings held during the time the Director held office or was a member of the relevant committee during the year.

* Not a member of the relevant committee during the year.

[1] Peter Harvie retired as a director on 28 March 2017.

Remuneration Report

Letter from People & Culture Committee

*On behalf of the Board, I am pleased to present the Company's 2017 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. An important part of the committee's role is 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 had a strong year despite a number of challenges that resulted in some financial targets not being met, or only partially met. The impact of stagnation in advertising markets, in addition to some forecasting errors in the transition of television affiliation from the Ten Network to the Nine Network in three of the four aggregated markets on the eastern seaboard was offset in part by the rebate of commercial broadcasting licence fees announced by the federal government in June.

Compared to the prior corresponding period, the Company increased revenue by 7.4% to $687.2 million and underlying net profit after tax increased by 21.5% to $93.8 million. Net debt reduced by 5.6% to $321 million and financing costs reduced by 23.9% to $18.8 million. Return on invested capital increased from 9.1% to 10.1%. Dividends of 7.75 cents per share were 14.8% higher than for the previous financial year.

Under the leadership of Grant Blackley, the management team has developed and started to implement a clear strategy for the Company. The foundation of this strategy is the Company's aspiration to be an entertainment company that delivers market-leading value-creating brands and to be the preferred entertainment company in our markets. Key achievements this year included:

- ***TV affiliation transition:*** *On 1 July 2016, the Company's new affiliation arrangements with Nine Network commenced in three of the four aggregated markets on the east coast. The transition of audiences and revenue occurred very successfully and with a seamless operational switchover. Regional news services have been rolled out across all markets to further improve the quality of programming and appeal to audiences and advertisers alike. The conversion of audience to revenue has been very strong, with power ratios of 1.04x achieved, demonstrating the benefit of transitioning to the stronger Nine Network programming.*

- ***Regional radio surveys and re-branding****: The program initiated by the Company in 2016 to expand radio ratings surveys in regional markets continued in 2017. Twenty eight individual market surveys were carried out, with some markets being surveyed for the first time in 20 years. This provided valuable information for national advertisers, enhancing the value of the Company's national reach and local connections. The Company re-branded 63 regional radio stations to either Hit or Triple M, clarifying the Company's market position for listeners and national advertisers.*

- ***Focus on culture****: The Company engaged Human Synergistics to conduct a confidential employee survey to gain a deeper understanding of the Company's culture and its impact on performance. The survey has provided valuable information about the strengths of the organisation and areas where the Company and individual offices or teams fall short of benchmarks for high performing organisations. A series of action plans have been developed across the organisation to respond to the survey results. These actions start with a focus on leadership. The Company's top 45 executives have undertaken the Life styles Inventory (**LSI**) diagnostic to increase their awareness of effective and ineffective styles. Each of these executives has committed to an individual development plan to build constructive leadership styles and behaviours and will be supported by an executive coach over the next two years. Reward and recognition programs have been aligned with these constructive behaviours and performance management processes will address negative behaviours.*

- ***Major project groups - PodcastOne****: The management team has implemented a major project groups methodology to identify and develop strategic initiatives in the business. The first of these to be launched in the business is the Company's strategic partnership with PodcastOne from the USA. The Company's initial suite of commissioned podcasts have now been released and are attracting interest from advertisers.*

- ***Sports broadcasting rights**: Triple M renewed its national AFL broadcasting rights until the 2022 season and began a two year partnership with Cricket Australia for broadcast of test matches. Triple M will broadcast all five Ashes tests in the coming season. A focus of the management team for the new year will be renewing radio broadcasting rights with the NRL.*

- ***Disposal of non-core assets**: The Company sold a portfolio of 45 transmission sites, while retaining long term access for its ongoing needs. Late in the year, the Company also sold its northern New South Wales Ten Network affiliation, which had become non-core following the Company's switch in affiliation to the Nine Network. These sales, along with disposal of several other properties, enabled the Company to further reduce its net debt and expand capital available for more effective use.*

*In considering the awards to be made to the senior leadership team under the Company's short term incentive (**STI**) plan for the year, the Board excluded the impact of significant events (such as the profit on sale of transmission assets, the loss on disposal of the NNSW television operations, and the benefit of broadcasting licence fee relief) from assessment of financial measures. These adjustments resulted in nil awards for KPIs relating to Group (and Regional) EBITDA (because the adjusted outcome was less than 95% of the adjusted budget) and in 62% achievement of KPIs relating to Group NPAT (compared to over 100% were no adjustment made). Taking into account the management team's achievements outlined above and the foundations laid for the future, the Board was satisfied that KPIs relating to operational improvements and cultural and behavioural influences were substantially achieved. The STI awards made to the senior leadership team reflect these assessments. Further details are provided in section 3 of the remuneration report that follows.*

*The Board was pleased that the Company's long term incentive (**LTI**) plan partially vested for the first time since the Group was established in 2011. This was based on the Company's relative total shareholder return (**TSR**) over the three years ended on 30 June 2017. The component of the LTI plan relating to the Company's earnings per share performance did not vest.*

*During the year, the PCC engaged an independent expert consultant, Juno Partners, to help review the Company's LTI plan. Following that review the Board has decided to remove relative TSR as a performance condition for grants to be made under the LTI plan in FY2018. Those grants will have two equally weighted performance hurdles: growth in earnings per share (**EPS**) and a new measure, return on invested capital (**ROIC**). The LTI plan will continue to have a three-year performance period.*

The PCC's review concluded that executives' perceived value of the LTI plan was low, due to low historic vesting and the opaque and capricious nature of the relative TSR measure. Executives have limited ability to influence the Company's relative TSR performance, which is affected by extraneous factors influencing movements in the Company's and the comparator group's share market performance. The Company's relative TSR performance throughout the three year period of an LTI grant is not readily observable or explicable to executives. The measure has not achieved the objective of providing executives with incentives to perform and remain with the Company.

ROIC measures management's efficiency at allocating the capital under its control to generate profitable returns. To maintain and improve the Company's ROIC, management is required to focus on the quality of earnings and the capital required to deliver improved earnings. The Company's ROIC performance is substantially within management's sphere of influence and is readily measurable at any time during the performance period of an LTI grant. It therefore provides a more effective incentive for management performance. In addition, sustained improvements in ROIC are highly correlated with improved shareholder value, measured in terms of the premium that a company trades at compared with its book value.

ROIC is defined as:

$$\frac{\text{Operating earnings before interest and tax } (\textbf{EBIT})}{\text{Invested Capital (Net Debt plus Equity)}}$$

Further details of how ROIC is calculated are provided in the description of the LTI Plan in this Remuneration Report. It should particularly be noted that impairments and other significant items incurred during the life of an LTI grant will be added back to operating EBIT and Invested Capital in determining ROIC performance. In effect, for the purposes of the ROIC calculation, significant items will be reversed. In addition, for the purposes of calculating ROIC under the LTI plan, the Company will adopt AASB 16, including the estimated present value of non-cancellable operating leases in Invested

Capital. Although not considered significant, this will ensure a like with like comparison of ROIC performance following the Group's adoption of AASB 16 for financial reporting purposes in FY2019.

The ROIC performance rights to be granted in FY2018 will vest if the Company's ROIC performance in FY2020 is at or above 10.1%, which exceeds the company's pre-tax cost of capital. Maximum vesting will be achieved if the Company's ROIC performance in FY2020 is at or above 12.5%. These thresholds have been set by the Board after considering analysis of the ROIC performance of the Company, its listed media peers and participants in the ASX Consumer Discretionary Sector in recent years. The Company's ROIC averaged 8% from FY2014 to FY2016. This was is in the bottom decile of sector ROIC performance. The median sector ROIC over that period was 12.2%. The Company's ROIC performance improved to 10.1% in FY2017, benefitting from a stronger balance sheet, earnings growth and broadcast licence fee relief.

Having regard to historical corporate and sector ROIC performance and the ongoing benefits of licence fee relief, the Board considers that maintaining ROIC performance of 10.1% is a fair gateway for vesting of rights under the LTI plan. As illustrated in the chart below, maintaining ROIC would equate to median historic performance of companies in the consumer discretionary sector over the three years to FY2016, in terms of ROIC improvement.

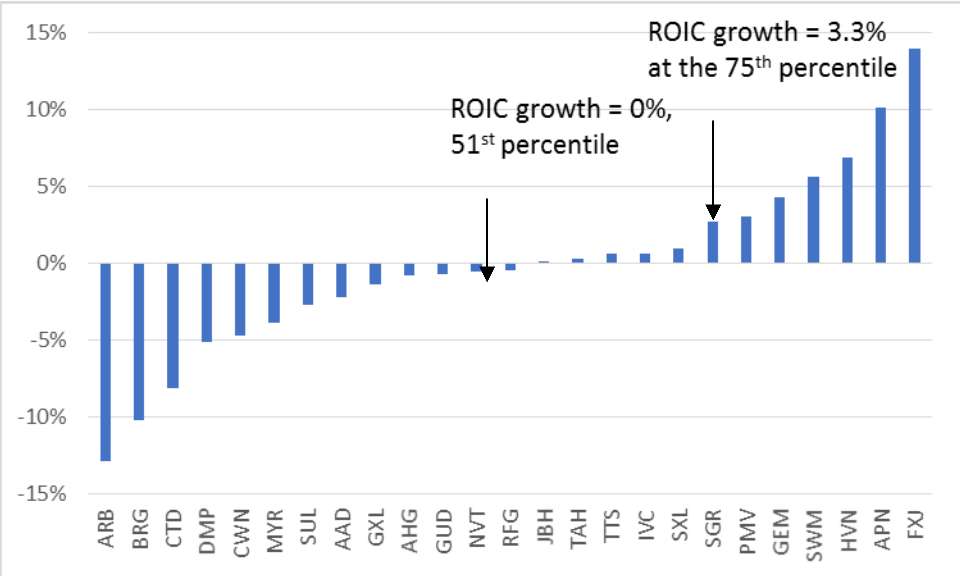

Figure 1 – Consumer Discretionary Sector ROIC performance FY2014 – FY2016 (outliers not shown)

The upper vesting limit of 12.5% is an ambitious target that will challenge the executive team to achieve step changes in the Company's capital efficiency and profit margins and would be the equivalent of top quartile ROIC improvement, based on the consumer discretionary sector over the three years to FY2016.

*The Board has retained EPS performance as the second measure in the LTI plan. The vesting range of cumulative annual growth rates (**CAGR**) from 3% to 8% has also been retained. With the assistance of Juno Partners, the PCC reviewed the EPS growth rates in recent years of the Company, its listed media peers and the consumer discretionary sector. The chart below illustrates the Company's EPS performance over the period from FY2010 to FY2016, compared* *to the consumer discretionary sector's performance up to 2016.*

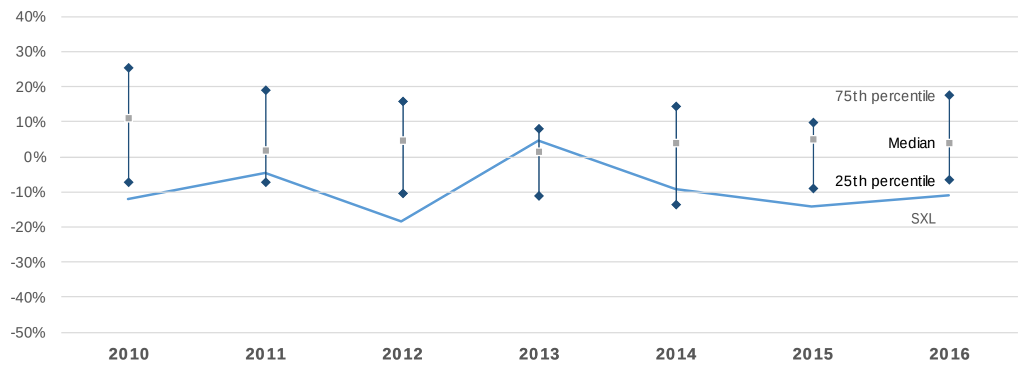

Figure 2 - Consumer Discretionary Sector EPS performance FY2010 – FY2016

Although the 75th percentile EPS performance for the consumer discretionary sector is considerably above the upper end of the vesting range of the LTI plan, analysis by Juno Partners concluded that many companies achieving top quartile EPS growth did so through substantial capital investment, lowering their ROIC as a consequence. Amongst comparators that grew capital at less than 10% per annum over three years, EPS growth rates were considerably lower and in line with the performance range set by the Board for LTI purposes. The Board considers that the ROIC performance measure will act as a brake on low value EPS growth so that the combination of the two performance measures will be effective to provide incentives to management to achieve profit growth at attractive rates of return for shareholders.

Following a benchmarking review in 2016, the remuneration of the Company's non-executive directors will be increased by 3% in FY2018 and FY2019. A further external review will be carried out at that time. With the number of non-executive directors reduced from seven to six during the year, the aggregate remuneration of non-executive directors in FY2018 is expected to be lower than in FY2017.

The policy introduced by the Board in 2016 requiring non-executive directors to acquire and maintain a minimum shareholding equal to the base fee for a non-executive director has resulted in all non-executive directors now holding shares. All current non-executive directors have until 2019 to establish the minimum holding.

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 2017 Annual General Meeting.

Yours faithfully,

Leon Pasternak

Leon Pasternak
Chairman of the People & Culture Committee

1. Overview of FY2017 remuneration

This section provides an overview of the remuneration received by executive KMP and non-executive directors in FY2017. The principles for remuneration of executive KMP are set out in section 2. Details of remuneration paid during the year are provided in sections 3 (Remuneration), 4 (short-term incentives) and 5 (long-term incentives).

1.1. Executive KMP

		Total remunration		Short-term incentive opportunity		Long-term incentive eligible for vesting[1]	
Name	**Year**	**Amount**	**Performance-related proportion**	**Awarded**	**Forfeited**	**Vested**	**Forfeited**
		$	**%**	**%**	**%**	**%**	**%**
Grant Blackley	2017	2,221,055	48.4	87.1	12.9	-	-
Chief Executive Officer and Managing Director	2016	1,721,675	34.8	100	-	-	-
Nick McKechnie	2017	783,042	31.6	92.4	7.6	100	-
Chief Financial Officer	2016	892,115	41.5	100	-	-	-
John Kelly[2]	2017	773,257	28.6	87.4	12.6	-	-
Chief Operating Officer	2016	283,700	20.6	100	-	-	-
Brian Gallagher	2017	759,038	29.3	73.7	26.3	-	-
Chief Sales Officer	2016	688,194	26.6	100	-	-	-
Guy Dobson	2017	785.756	18.1	58.3	41.7	-	100
Chief Content Officer	2016	826,746	19.1	60.0	40.0	-	100
Rick Lenarcic	2017	581,769	25.2	63.6	36.4	-	100
Head of Regional Media	2016	607,478	30.1	96.7	3.3	-	100
Vijay Solanki[3]	2017	-	-	-	-	-	-
Chief Digital Enablement Officer	2016	732,386	7.8	31.0	69.0	-	-
Total executive KMP	**2017**	**5,903,917**	**34.4**	**82.0**	**18.0**	**48.0**	**52.0**
	2016	**5,752,294**	**28.0**	**91.2**	**8.8**	**-**	**100**

1 The vested and forfeited proportion of LTI entitlements relate only to those LTI entitlements that were eligible for vesting during the year.

2 John Kelly commenced on 1 February 2016. His remuneration is disclosed only for the period he was a KMP.

3 Vijay Solanki resigned with effect from 30 June 2016.

1.2. Non-executive directors

The aggregate remuneration of the Company's non-executive directors during the year was $1,167,750, compared to $1,275,940 in 2016. The principles for remuneration of non-executive directors are set out in section 2. Details of the remuneration of non-executive directors during the year are provided in section 3.

2. Remuneration principles

2.1. 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 2017. The STI portion is shown at target levels and the LTI portion is based on the value granted in 2017.

	Fixed remuneration	STI	LTI
Grant Blackley *Chief Executive Officer and Managing Director*	43%	27%	30%
Nick McKechnie *Chief Financial Officer*	61%	19%	20%
John Kelly *Chief Operating Officer*	62%	18%	20%
Brian Gallagher *Chief Sales Officer*	64%	15%	21%
Guy Dobson *Chief Creative Officer*	81%	7%	12%
Rick Lenarcic *Head of Regional Media*	67%	12%	21%

2.2. 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.

2.3. Variable remuneration for executive KMP

2.3.1 Short-term incentives

The table below outlines details of the Company's short-term incentive plan.

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.
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.
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.

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 2017 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 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). Profitability and financial performance targets also include targets to ensure non-revenue related costs are closely controlled and on the achievement of specific corporate strategy projects that improve the asset base. 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.
Is there a gateway?	At least 95% of financial metrics relating to NPAT or EBITDA must be achieved before any STI based on those metrics is payable.

	At least 97.5% of financial metrics for sales or costs must be achieved before any STI based on those metrics is payable. 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.
What is the maximum amount payable?	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 200% of the financial component (40%) of the executive's STI if the Group achieves up to 105% of the Group's NPAT target. An executive's maximum STI opportunity is therefore 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%

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.
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.
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.
Clawback	The Board has discretion 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.

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 an STI payment.

2.3.2 Long-term incentives

The table below outlines details of the Company's long-term incentive plan.

What is the incentive?	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. For 2017, the LTI plan has also been made available to about 20 executives in the next tiers of management.
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 maximum LTI opportunity for the year. This dollar value is converted into a number of performance rights in the LTI plan, based on the face value of performance rights at the applicable grant date. The face value of performance rights is calculated as: • the weighted average price of the Company's shares for the five trading days commencing seven days after the Company's results for the prior financial year (ended 30 June 2017) are announced to ASX; less • the amount of any final dividend per share declared as payable in respect of the prior financial year (year ended 30 June 2017). (For LTI grants made before 1 July 2017, the dollar value is based on the fair value of performance rights at the applicable grant date. Where relevant, the Company engages Deloitte Touche Tohmatsu (**Deloitte**) to determine the fair value of performance rights.)
How is the incentive delivered?	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 vest. The Board has discretion to settle vested awards in cash.
What are the performance measures and hurdles?	From 1 July 2017, each grant under the LTI plan has two equally weighted performance hurdles over a three year period: Return on Invested Capital (**ROIC**) and Absolute Earnings per Share (**EPS**). ROIC has replaced Relative Total Shareholder Return (**TSR**), which, together with Absolute EPS, was the performance hurdle used in LTI grants made before 1 July 2017. This change was made following a review of the LTI plan by Juno Partners, an independent consultant. The Company's ROIC Performance is more within management's sphere of influence than is the Company's Relative TSR Performance, is readily measurable at any time during the performance period of an LTI grant, and therefore provides a more effective incentive for management performance. **Return on Invested Capital Performance hurdle** ROIC measures management's efficiency at allocating the capital under its control to generate profitable returns. To maintain and improve the Company's ROIC, management is required to focus on the quality of earnings and the capital required to deliver improved earnings.

ROIC is calculated as follows:

$$\frac{\text{Operating earnings before interest and tax (\textbf{EBIT})}}{\text{Invested Capital (Net Debt plus Equity)}}$$

ROIC is defined by reference to factors substantially within management's sphere of influence. Accordingly:

- Operating EBIT is adjusted to exclude the impact of significant or non-recurring items (both income and costs) to provide a fair measure of underlying long-term performance.
- Impairments and other significant items during the life of an LTI grant are added back to operating EBIT and Invested Capital. (Past impairments and significant items are not added back, it being recognised that these are not the responsibility of current management.)
- Non-cancellable operating leases are included in Invested Capital.
- Returns are measured pre-tax.
- Invested Capital is measured at the end of each month over the final year of an LTI grant and is averaged for the purposes of calculating ROIC.
- Where applicable, items used to calculate ROIC will be re-based to accommodate changes in accounting standards and policies during the life of an LTI grant. (This has been done for ROIC performance rights granted in FY2018. The change in accounting policy to recognise deferred tax on intangible assets has resulted in a reduction of $383.6 million in the company's equity (which forms part of Invested Capital in the ROIC calculation). This amount has been added back to Invested Capital for the purposes of the ROIC calculation.)

ROIC performance rights will vest if the Company's ROIC performance in the final year of the performance period is at or above a threshold set by the Board at the time of making the relevant LTI grant. ROIC performance rights granted in FY2018 are eligible to vest according to the following schedule:

ROIC Performance in FY2020	**% of allocation that vests**
Below 10.1%	Nil
10.1%	50%
10.1% - 12.5%	Straight-line vesting between 50% and 100%
At or above 12.5%	100%

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 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%

Relative TSR Performance hurdle (for LTI grants made before 1 July 2017)

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.

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%

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 have now reached their vesting dates.

Is there a gateway?

The ROIC Performance hurdle will be achieved only if the Company's adjusted ROIC performance in the final year of the performance period is at or above a threshold set by the Board at the time of making the relevant LTI grant. The ROIC Performance hurdle for grants made in FY2018 will be achieved if the Company's adjusted ROIC performance in FY2020 is at or above 10.1%.

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.

	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.
What is the maximum amount payable?	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.
How is performance assessed?	The Board will calculate the Company's ROIC and EPS Performance at the end of the performance period for each LTI grant by reference to the Company's accounting records and the Company's audited financial reports. The Company may engage an independent consultant to review or carry out these calculations. The Group engages Deloitte to report on the Company's TSR ranking within the comparator group as defined in each of the LTI plans at each relevant vesting date. There is no re-testing of performance hurdles under the LTI plan.
Cessation of employment	"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.
Change of control	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 has discretion 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	**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.

2.4. 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 2017	30 June 2016	30 June 2015	30 June 2014	30 June 2013
	$'000	$'000	$'000	$'000	$'000
Revenue	687,244	639,555	611,120	640,834	653,114
EBITDA	177,393	167,722	163,262	179,705	210,991
EBITDA %	*25.8%*	*26.2%*	*26.7%*	*28.0%*	*32.3%*
Net profit before tax	127,738	114,177	(265,216)	(279,577)	133,269
Net profit after tax ("NPAT")	108,563	77,243	(284,950)	(296,008)	96,111
NPAT %	*15.8%*	*12.0%*	*(46.6%)*	*(46.2%)*	*14.7%*
Net profit after tax excluding significant items	108,563	77,243	64,783	*79,629*	96,111
NPAT % excluding significant items	*15.8%*	*12.0%*	*10.6%*	*12.4%*	*14.7%*
EPS (cents)[1]	12.20	10.12	8.93	11.29	13.64
ROIC[2]	10.1%	9.1%	n/a	n/a	n/a
	30 June 2017	**30 June 2016**	**30 June 2015**	**30 June 2014**	**30 June 2013**
Opening share price	$1.25	$0.97	$1.07	$1.43	$1.20
Closing share price	$1.25	$1.25	$0.97	$1.07	$1.43
Dividend/Distribution	7.25c	6.25c	6.0c	7.5c	9.0c

1 EPS is shown after adjustments to exclude the impact of significant or non-recurring items (both income and costs) as approved by the Board for the purposes of the Company's LTI plan.

2 ROIC is calculated in accordance with the principles outline in section 1.3.2. It has not been calculated for periods earlier than 2016 because of impairments recorded in those years.

2.5. 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.

2.6. Services from remuneration consultants

During the year, the Committee engaged Juno Partners as an independent expert consultant to review the Company's LTI plan. This review included recommendations about the performance conditions and vesting range for grants made under the LTI plan. As explained in this remuneration report, the Board decided following the review to remove relative total shareholder return (**TSR**) as a performance condition for grants to be made under the LTI plan in FY2018. Those grants will have two equally weighted performance hurdles: growth in earnings per share (**EPS**) and a new measure, return on invested capital (**ROIC**). The LTI plan will continue to have a three-year performance period. Juno Partners was paid $42,594 for its services in 2017.

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 paid $12,600 for these services.

During 2016, the Committee engaged KPMG to provide an independent report benchmarking the remuneration of the Company's executive KMP and its non-executive directors. The remuneration of the Company's executive KMP and non-executive directors was adjusted following consideration of that benchmarking report. The Committee did not seek benchmarking advice during 2017.

2.7. 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 in 2016, the Board's base and committee fees will be increased by 3% in 2018 and 2019. The Committee intends to obtain a further benchmarking report in 2020. The number of non-executive directors reduced from seven to six during the year and the aggregate remuneration on non-executive directors in 2018 will be less than in 2017.

The table below sets out the fees for non-executive directors that applied in 2016 and 2017 and those that will apply in 2018.

	2016	2017	2018
	$	$	$
Base fees – Annual			
Chairman[1]	250,000	265,000	273,000
Deputy Chairman[1]	161,500	171,000	176,000
Other Non-Executive Directors	125,000	132,500	136,500
Committee fees – Annual			
Audit & Risk Committee – Chairman	21,000	22,500	23,000
Audit & Risk Committee – member	14,000	15,000	15,500
People & Culture Committee[2] – Chairman[1]	15,000	16,000	16,500
People & Culture Committee[2] – member	10,000	10,500	11,000
Nomination Committee - Chairman[1]	15,000	16,000	16,500
Nomination Committee – member	10,000	10,500	11,000

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 2016, 2017 or 2018.

3. Remuneration of executive KMP and directors during the year

3.1 Executive KMP

The table below sets out the nature and amount of each major element of the remuneration of each executive KMP in 2017 and 2016.

		Short-term employee benefits				Post-employ-ment	Long Service Leave[1]	Termination benefits	Share-based payments	Total	Performance -related proportion
Executive	Year	Salary and fees	STI cash bonus[2]	Non-monetary	Total	Super con-tribution			Performance rights[3]		
		$	$	$	$	$	$	$	$	$	%
Grant Blackley	2017	1,121,884	705,240	4,315	1,831,439	19,616	-	-	370,000	2,221,055	48.4
Chief Executive Officer and Managing Director	2016	1,098,501	500,000	3,866	1,602,367	19,308	-	-	100,000	1,721,675	34.8
Nick McKechnie	2017	512,384	163,548	3,494	679,426	19,616	-	-	84,000	783,042	31.6
Chief Financial Officer	2016	500,000	150,000	2,807	652,807	19,308	-	-	220,000[5]	892,115	41.5
John Kelly[6]	2017	528,384	159,942	4,315	692,641	19,616	-	-	61,000	773,257	28.6
Chief Operating Officer	2016	214,872	58,330	844	274,046	9,654	-	-	-	283,700	20.6
Brian Gallagher	2017	512,384	130,390	4,315	647,089	19,616	-	-	92,333	759,038	29.3
Chief Sales Officer	2016	481,884	150,000	3,669	635,553	19,308	-	-	33,333	688,194	26.6
Guy Dobson	2017	633,530	58,333	4,315	696,178	19,616	11,629	-	58,333	785,756	18.1
Chief Content Officer	2016	633,530	59,580	5,146	698,256	19,308	10,574	-	98,608	826,746	19.1
Rick Lenarcic	2017	389,384	79,200	25,043	493,627	19,616	1,026	-	67,500	581,769	25.2
Head of Regional Media	2016	359,545	96,700	25,178	481,423	19,308	20,638	-	86,109	607,478	30.1
Vijay Solanki[4]	2017	-	-	-	-	-	-	-	-	-	-
Chief Digital Enablement Officer	2016	351,500	24,000	5,146	380,646	23,876	-	294,531	33,333	732,386	7.8
Total executive KMP	2017	3,697,950	1,296,653	45,797	5,040,400	117,696	12,655	-	733,166	5,903,917	34.4
	2016	3,639,832	1,038,610	46,656	4,725,098	130,070	31,212	294,531	571,383	5,752,294	28.0

1 Long service leave relates to amounts accrued during the year.

2 The STI bonus is for performance during the year using the criteria set out on page 18. The amount was finally determined by the Board on 23 August 2017 after considering recommendations of the People & Culture Committee.

3 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.

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

5 Share-based payments made to Nick McKechnie in 2016 included a retention bonus of $120,000. This was constituted by the grant of 117,878 performance rights in accordance with the LTI plan.

6 John Kelly commenced on 1 February 2016. His 2016 remuneration is disclosed only for the period he was a KMP.

3.2 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 2017 and 2016.

		Short-term employee benefits			Post-employment	Total
Non-executive director[1]	**Year**	**Salary and fees**	**Non-monetary**	**Total**	**Super contribution**	
		$	**$**	**$**	**$**	**$**
Peter Bush	2017	245,384	-	245,384	19,616	265,000
Chairman	2016	230,692	-	230,692	19,308	250,000
Leon Pasternak	2017	156,164	-	156,164	14,836	171,000
Deputy Chairman	2016	147,488	-	147,488	14,012	161,500
Glen Boreham	2017	134,704	-	134,704	12,796	147,500
Non-executive director	2016	126,027	-	126,027	11,973	138,000
Peter Harvie	2017	97,944	-	97,944	9,306	107,250
Non-executive director	2016	123,288	-	123,288	11,712	135,000
Rob Murray	2017	140,184	-	140,184	13,316	153,500
Non-executive director	2016	133,333	-	133,333	12,667	146,000
Helen Nash	2017	144,292	-	144,292	13,708	158,000
Non-executive director	2016	126,940	-	126,940	12,060	139,000
Melanie Willis	2017	151,140	-	151,140	14,360	165,500
Non-executive director	2016	13,187	-	13,187	1,253	14,440
Chris de Boer	2017	-	-	-	-	-
Former non-executive director	2016	130,592	-	130,592	12,408	143,000
Kathy Gramp	2017	-	-	-	-	-
Former non-executive director	2016	136,072	-	136,072	12,928	149,000
TOTAL	**2017**	**1,069,812**	**-**	**1,069,812**	**97,938**	**1,167,750**
	2016	**1,167,619**	**-**	**1,167,619**	**108,321**	**1,275,940**

1 A number of non-executive directors did not hold their roles for the full financial year in 2016 or 2017. Remuneration is only disclosed for the time they were non-executive directors in each year. Chris de Boer resigned on 26 May 2016. Kathy Gramp resigned on 21 June 2016. Peter Harvie resigned on 28 March 2017.

4. Analysis of short term incentives included in remuneration

4.1 STI performance outcomes

The table below summaries the KPIs applicable for each KMP for FY2017 and the performance achieved.

KMP	Profitability and financial performance		High level operational improvements		Cultural and behavioural influences	
	40%		40%		20%	
	Measure	Performance	Meaure	Performance	Measure	Performance
Grant Blackley	Group NPAT Group costs Strategy	62% achieved Achieved Achieved	Improve radio assets, digital strategy, sales strategy	86.7% achieved	Consistent leadership across business reputation with key stakeholders, cultural survey change management	Achieved
Nick McKechnie	Group NPAT Group costs Strategy	62% achieved Achieved Achieved	Cost improvements in key areas, asset sales, TV playout strategy	Achieved	Leadership on fiscal management, cultural survey change management, reputation with investors	Achieved
John Kelly	Group NPAT Sales systems Technology investment	62% achieved Achieved Achieved	Metro controllable costs, major project group structure, digital audio/podcasting, digital strategy	87.5% achieved[1]	Personal development plan, cultural survey change management	Achieved
Brian Gallagher	Group revenue Sales department costs	25% achieved[2] Achieved	Metro radio new business strategy, regional media growth strategy, metro radio power ratio	86.7% achieved	Personal development plan, cultural survey change management, stron and respected sales culture	Achieved
Guy Dobson	Group EBITDA Sydney Hit Breakfast ratings Triple M audience share	Not achieved Not achieved Not achieved	Regional radio rebranding, integration/promotion of digital assets, news publishing structure	Achieved	Integration of metro/regional radio teams, cultural survey change management	91.7% achieved
Rick Lenarcic	Group EBITDA Regional EBITDA	Not achieved Not achieved	Regional cost management, regional asset	93.3% achieved	Regional customer satisfaction,	81.7% achieved

KMP	Profitability and financial performance		High level operational improvements		Cultural and behavioural influences	
	40%		40%		20%	
	Measure	Performance	Meaure	Performance	Measure	Performance
	Regional TV local revenue	97.5% achieved	sales/TV playout strategy, respected voice in regional markets		mentoring direct reports/build diversity, cultural survey change management	

1 The target for metro controllable costs was not achieved due largely to higher than forecast costs associated with renegotiation of certain key contracts. The Board exercised its discretion to award 50% for the applicable KPI for John Kelly in recognition of the longer term benefits resulting from renegotiation of these key contracts.

2 The target for group revenue was not achieved. Group revenue was 7% higher than in FY2016 which, despite being short of the target, was a strong achievement in a year of significant change and uncertainty as a result of the transition from the Ten Network to the Nine Network in three of the four aggregated markets on the eastern seaboard. In recognition of these achievements, the Board exercised its discretion to award 25% for the applicable KPI for Brian Gallagher.

4.2 Vesting of STI awards

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

KMP	Short-term incentive bonus				
		% achieved in year			
	Included in remuneration[1] $	Profitability and financial performance[4]	High level operational improvements	Cultural and behavioural influences	% forfeited in year[2]
Grant Blackley	705,240	32.4%	34.7%	20%	12.9%
Nick McKechnie	163,548	32.4%	40%	20%	7.6%
John Kelly	159,942	32.4%	35%	20%	12.6%
Brian Gallagher	130,390	19%	34.7%	20%	26.3%
Guy Dobson	58,333	-[3]	40%	18.3%	41.7%
Rick Lenarcic	79,200	10%	37.3%	16.3%	36.4%

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 23 August 2017.

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

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

4 Because budget targets were not achieved, the Board did not award any of the stretch opportunity of up to 105% available for the profitability and financial performance component of the STI plan.

5. 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.

5.1 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	764,151
Nick McKechnie	166,981
John Kelly	172,642
Brian Gallagher	166,981
Guy Dobson	94,340
Rick Lenarcic	127,358

Details for all rights granted in financial year

	Relative TSR	Absolute EPS
Grant Date	2 September 2016	2 September 2016
Fair value at grant date	$0.88	$1.24
Vesting date	30 June 2019	30 June 2019

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 2019 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 20. 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.

5.2 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 2017 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[2] $	No. of Perf Rights Vested and Exercised During the Year	Vested and Exercised %	No. of Perf Rights Forfeited During the Year[4]	Forfeited %[3]	No. of Perf Rights Remaining at Year End	Value of Perf Rights yet to Vest $
Grant Blackley	FY17 Plan	01/07/2019	764,151	810,000	-	-	-	-	764,151	810,000
	FY16 Plan	01/07/2018	491,803	300,000	-	-	-	-	491,803	300,000
	Total		**1,255,954**	**1,110,000**	**-**	**-**	**-**	**-**	**1,255,954**	**1,110,000**
Nick McKechnie[1]	FY17 Plan	01/07/2019	166,981	177,000	-	-	-	-	166,981	177,000
	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
	9 May 15	26/08/2016	117,878	120,000	117,878	100.0%	-	-	-	-
	Total		**723,465**	**597,000**	**117,878**	**100.0%**	**-**	**-**	**605,587**	**477,000**
John Kelly	FY17 Plan	01/07/2019	172,642	183,000	-	-	-	-	172,642	183,000
	Total		**172,642**	**183,000**	**-**	**-**	**-**	**-**	**172,642**	**183,000**
Brian Gallagher	FY17 Plan	01/07/2019	166,981	177,000	-	-	-	-	166,981	177,000
	FY16 Plan	01/07/2018	163,934	100,000	-	-	-	-	163,934	100,000
	Total		**330,915**	**277,000**	**-**	**-**	**-**	**-**	**330,915**	**277,000**
Guy Dobson	FY17 Plan	01/07/2019	94,340	100,000	-	-	-	-	94,340	100,000
	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	01/07/2016	32,359	33,330	-	0.0%	32,359	100.0%	-	-
		01/07/2017	32,359	33,330	-	-	-	-	32,359	33,330
	FY13 Plan	01/07/2016	92,583	49,995	-	0.0%	92,583	100.0%	-	-
	Total		**544,044**	**416,655**	**-**	**0.0%**	**124,942**	**100.0%**	**419,102**	**333,330**
Rick Lenarcic	FY17 Plan	01/07/2019	127,358	135,000	-	-	-	-	127,358	135,000
	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	01/07/2016	22,651	23,333	-	0.0%	22,651	100.0%	-	-
		01/07/2017	22,651	23,333	-	-	-	-	22,651	23,333
	FY13 Plan	01/07/2016	43,206	23,333	-	-	43,206	100.0%	-	-
	Total		**508,269**	**404,999**	**-**	**0.0%**	**65,857**	**100.0%**	**442,412**	**358,333**

1 Nick McKechnie was granted 117,878 rights as a retention bonus, subject to his continuing employment to 30 June 2016. These rights vested on 26 August 2016.

2 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. (Rights to be granted after 1 July 2017 will be valued at their face value.)

[3] 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.

5.3 Vesting of rights during the year

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

5.4 Vesting of rights as at 1 July 2017

The fourth and final tranche of performance rights granted under the FY2014 plan and the performance rights granted under the FY2015 plan were eligible for vesting as at 30 June 2017. The FY2014 plan had a sole performance condition, which was the Company's relative TSR performance over the relevant four year performance period. The FY2015 plan had two equally weighted performance conditions, the Company's relative TSR performance and growth in the Company's earnings per share (**EPS**) over the relevant three year performance period. The Company received a report from Deloitte relating to the TSR performance conditions 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 EPS performance condition did not vest because the Company's EPS grew at a CAGR of 2.6% over the three year performance period. This was less than the vesting gateway of 3%. The grants that have vested will be included in the remuneration of participating executives in 2018.

Grant	TSR Percentile ranking	TSR % vested
FY2014 – Tranche 4	35^{th} percentile	0%
FY2015 – Tranche 3	56^{th} percentile	60%

6. 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.

7. Transactions with KMP

7.1 Loans to KMP

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

7.2 Other transactions and balances with KMP

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

8. 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	-	-	60,000	60,000
Leon Pasternak	1,185,215	-	-	1,185,215
Glen Boreham	95,000	-	-	95,000
Rob Murray	50,000	-	-	50,000
Helen Nash	52,573	-	-	52,573
Melanie Willis	-	-	34,670	34,670
	1,382,788		94,670	1,477,458
Executives				
Grant Blackley	-	-	-	-
Nick McKechnie	26,760	117,878	(68,260)	76,378
John Kelly	-	-	-	-
Brian Gallagher	-	-	-	-
Guy Dobson	-	-	-	-
Rick Lenarcic	-	-	-	-
	26,760	117,878	(68,260)	76,378

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 35.

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

Peter Bush
Chairman
Southern Cross Media Group Limited
Sydney, Australia
24 August 2017

Leon Pasternak
Deputy Chairman
Southern Cross Media Group Limited
Sydney, Australia
24 August 2017

Auditor's Independence Declaration

As lead auditor for the audit of Southern Cross Media Group Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Sam Lobley
Partner
PricewaterhouseCoopers

Melbourne
24 August 2017

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Statement of Comprehensive Income

		Consolidated	
	Note	**2017 $'000**	**2016 $'000**
Revenue from continuing operations	3	687,244	639,555
Broadcast and production costs		(131,394)	(111,627)
Employee expenses		(200,514)	(184,336)
Selling costs		(83,034)	(79,908)
Occupancy costs		(31,702)	(30,966)
Promotions and marketing		(19,584)	(19,004)
Administration costs		(47,692)	(49,012)
Other Income	4	3,559	2,734
Share of net profit/(losses) of investments accounted for using the equity method	17	510	286
Profit before depreciation, amortisation, interest, impairment, fair value movements on financial derivatives and income tax expenses for the year from continuing operations		177,393	167,722
Depreciation and amortisation expense		(30,870)	(28,850)
Interest expense and other borrowing costs	15	(19,510)	(26,029)
Interest revenue		725	1,334
Profit before income tax expense for the year from continuing operations		127,738	114,177
Income tax expense from continuing operations	5	(19,175)	(36,934)
Profit from continuing operations after income tax expense for the year		108,563	77,243
Other comprehensive income that may be reclassified to profit or loss:			
Changes to fair value of cash flow hedges, net of tax		472	(1,080)
Total comprehensive profit for the year attributable to shareholders		**109,035**	**76,163**
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	13	14.12	10.12
Diluted earnings per share (cents)	13	14.07	10.10

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

Statement of Financial Position

		Consolidated	
	Note	2017 $'000	2016 $'000
Current assets			
Cash and cash equivalents		48,978	94,776
Receivables	10	158,010	142,003
Total current assets		**206,988**	**236,779**
Non-current assets			
Receivables	10	2,964	2,677
Investments accounted for using the equity method	17	5,167	3,657
Property, plant and equipment	6	136,178	145,249
Intangible assets	7	1,248,955	1,289,509
Total non-current assets		**1,393,264**	**1,441,092**
Total assets		**1,600,252**	**1,677,871**
Current liabilities			
Payables	10	81,042	86,388
Deferred Income	10	9,477	12,590
Provisions	10	19,730	19,347
Borrowings	15	86	36,930
Current tax liabilities		3,942	9,109
Derivative financial instruments	16	1,651	-
Total current liabilities		**115,928**	**164,364**
Non-current liabilities			
Deferred Income	10	91,945	95,278
Provisions	10	10,134	11,839
Borrowings	15	368,762	432,891
Deferred tax liability	5	361,438	373,678
Derivative financial instruments	16	948	3,273
Total non-current liabilities		**833,227**	**916,959**
Total liabilities		**949,155**	**1,081,323**
Net assets		**651,097**	**596,548**
Equity			
Contributed equity	14	1,379,736	1,379,386
Reserves		3,851	2,462
Other equity transaction	14	(77,406)	(77,406)
Accumulated losses		(655,382)	(708,192)
Equity attributable to equity holders		**650,799**	**596,250**
Non-controlling interest		298	298
Total equity		**651,097**	**596,548**

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

Statement of Changes in Equity

2017

	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 2016	1,379,386	4,754	(2,292)	(77,406)	(708,192)	596,250	298	596,548
Profit for the year	-	-	-	-	108,563	108,563	-	108,563
Other comprehensive income	-	-	472	-	-	472	-	472
Total comprehensive income	-	-	472	-	108,563	109,035	-	109,035
Transactions with equity holders in their capacity as equity holders:								
Employee share entitlements	-	917	-	-	-	917	-	917
Shares issued, net of transaction costs	350	-	-	-	-	350	-	350
Dividends paid	-	-	-	-	(55,753)	(55,753)	-	(55,753)
	350	917	-	-	(55,753)	(54,486)	-	(54,486)
Total equity at 30 June 2017	1,379,736	5,671	(1,820)	(77,406)	(655,382)	650,799	298	651,097

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
Change in accounting policy (refer Note 1)	-	-	-	-	(383,600)	(383,600)	-	(383,600)
Revised total equity at 1 July 2015	1,365,110	4,226	(1,212)	(77,406)	(737,844)	552,874	298	553,172
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)	(708,192)	596,250	298	596,548

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

Statement of Cash Flows

		Consolidated	
	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers		741,340	793,755
Payments to suppliers and employees		(589,401)	(538,508)
Interest received from external parties		725	1,334
Tax paid		(36,423)	(32,843)
Net cash inflows from operating activities	9	**116,241**	**223,738**
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(30,086)	(23,262)
Payments for purchase of intangibles		(7,196)	(69)
Proceeds from sale of property, plant and equipment		1,088	14,217
Proceeds from sale of operations and assets		53,817	1,924
Payments for purchase of investments		(1,000)	-
Net cash flows used in investing activities		**16,623**	**(7,190)**
Cash flows from financing activities			
Dividends paid to security holders		(55,753)	(33,680)
Net (repayment) of / proceeds from receivables financing facility		(36,801)	14,640
Repayment of borrowings from external parties		(65,000)	(215,000)
Interest paid to external parties		(20,937)	(30,485)
Payments for finance leases		(171)	(298)
Net cash flows used in financing activities		**(178,662)**	**(264,823)**
Net decrease in cash and cash equivalents		(45,798)	(48,275)
Cash assets at the beginning of the year		94,776	143,051
Cash assets at the end of the year		**48,978**	**94,776**

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

Notes to the Financial Statements

Key Numbers	Capital Management	Group Structure	Other
1. Summary of Significant Accounting Policies	11. Capital Management Objectives	17. Non-Current Assets – Investments Accounted for Using the Equity Method	20. Share-Based Payments
2. Segment Information	12. Dividends Paid and Proposed	18. Subsidiaries	21. Remuneration of Auditors
3. Revenue	13. Earnings per Share	19. Parent Entity Financial Information	22. Related Party Disclosures
4. Other Income	14. Contributed Equity and Reserves		23. Leases and Other Commitments
5. Income Tax Expense	15. Borrowings		24. Events Occurring after Balance Date
6. Non-Current Assets – Property, Plant and Equipment	16. Financial Risk Management		25. Other Accounting Policies
7. Non-Current Assets – Intangible Assets			
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9. Reconciliation of Profit after Income Tax to Net Cash Inflow from Operating Activities			
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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 2017 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 company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' Report and Financial Report. Amounts have been rounded off in accordance with the 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
Note 8	Impairment

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.

Change in accounting policy

In November 2016, the IFRS Interpretations Committee ("IFRIC") issued an agenda decision regarding a request to clarify how an entity determines the expected manner of recovery of an intangible asset with an indefinite useful life for the purposes of measuring deferred tax in accordance with AASB 112 *Income Taxes*. Although the IFRIC decided not to add this issue to its agenda, it noted that the fact that an entity does not amortise an intangible asset with an indefinite useful life does not mean that it has an infinite life and that the entity will recover the carrying amount of that asset only through sale and not through use. Instead, entities will need to determine whether they expect to recover the carrying amounts of their indefinite lived intangibles through use or sale and reflect this in the measurement of the deferred tax balances.

In response to this clarification, the Group has reviewed the tax effect accounting for its licences, brands and tradenames. The Group previously assumed that the carrying amounts of these assets were expected to be recovered through sale given their indefinite life, which meant that the capital gains tax base was used, which resulted in a small deferred tax balance being recognised. The Group has now changed its accounting policy for deferred tax on intangible assets with indefinite useful lives and have measured deferred taxes assuming recovery through use. This has resulted in the recognition of an additional deferred tax liability given there are no tax deductions available for the use of the assets. As the intangible assets were acquired as part of business combinations in prior years, and there were prior year impairments of goodwill, the corresponding adjustments have been made to accumulated losses.

The following table summarises the impact of this change in accounting policy, which has been applied retrospectively, on the Group's previously reported statement of financial position. The change in accounting policy did not have an impact on the previously reported statement of comprehensive income or statement of cash flows.

1. Summary of Significant Accounting Policies (continued)

Change in accounting policy (continued)

Dr/(Cr)	**As previously reported $'000**	**Effect of change in policy $'000**	**As currently reported $'000**
As at 1 July 2015			
Deferred tax assets	12,336	(12,336)	-
Deferred tax liabilities	-	(371,264)	(371,264)
Accumulated losses	354,244	383,600	737,844
As at 30 June 2016			
Deferred tax assets	9,922	(9,922)	-
Deferred tax liabilities	-	(373,678)	(373,678)
Accumulated losses	324,592	383,600	708,192

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.

	Metro		**Regional**		**Corporate**		**Consolidated**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Segment Revenue	**247,163**	242,253	**417,890**	382,267	**22,191**	15,035	**687,244**	639,555
EBITDA / Segment Result	**60,070**	51,437	**125,857**	131,150	**(8,534)**	(14,865)	**177,393**	167,722
EBITDA % of Revenue	**24.3%**	21.2%	**30.1%**	34.3%	**(38.5%)**	(98.9%)	**25.8%**	26.2%
Impairment of intangibles and investments	**-**	-	**-**	-	**-**	-	**-**	-
Depreciation and Amortisation	**(6,515)**	(5,502)	**(14,213)**	(13,981)	**(10,142)**	(9,367)	**(30,870)**	(28,850)
Statutory EBIT / Segment Result	**53,555**	45,935	**111,644**	117,169	**(18,676)**	(24,232)	**146,523**	138,872
Financing costs	**-**	-	**-**	-	**-**	-	**(18,785)**	(24,695)
Income tax expense	**-**	-	**-**	-	**-**	-	**(19,175)**	(36,934)
Profit for the year attributable to shareholders	**-**	-	**-**	-	**-**	-	**108,563**	77,243

3. Revenue

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

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Revenue from continuing operations		
Sales revenue	681,283	632,993
Rental revenue	5,961	6,562
Total revenue from continuing operations	**687,244**	**639,555**

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. Other Income

	Consolidated 2017 $'000	2016 $'000
Net gain from disposal of operations and assets	3,559	2,734
Total other income	**3,559**	**2,734**

During the year the Group completed the sale of its Northern NSW television operation to the WIN Television Network and the sale of 45 transmission sites to Axicom Pty Ltd.

	2017 $'000	2016 $'000
Net assets disposed	(59,568)	-
Gross cash consideration	53,007	1,924
Gross deferred consideration	10,120	810
Net gain from disposal of operations and assets before tax	**3,559**	**2,734**

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 2017 $'000	2016 $'000
Income tax expense		
Current tax		
Current tax on profits for the year	36,207	33,188
Adjustments for current tax of prior periods	(4,590)	870
Total current tax expense	**31,617**	**34,058**
Deferred income tax		
Decrease in net deferred tax assets	(12,171)	3,372
Adjustments for deferred tax of prior periods	(271)	(496)
Total deferred tax expense	**(12,442)**	**2,876**
Reconciliation of income tax expense to prima facie tax payable		
Profit/(Loss) before income tax expense	127,738	114,177
Tax at the Australian tax rate of 30%	38,321	34,253
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
Disposal of indefinite lived intangibles	(14,723)	-
Share of net profits of associates	(247)	(86)
Non deductible entertainment expenses	1,213	1,693
Other (deductible expenses)/(non-assessable income)/non-deductible expenses	(528)	700
Adjustments recognised in the current year in relation to prior years	(4,861)	374
Income tax expense	**19,175**	**36,934**

5. Income Tax Expense (continued)

Deferred Taxes	Consolidated	
	2017 $'000	2016 $'000
The balance comprises temporary differences attributable to:		
Licences and brands	(372,131)	(386,853)
Employee benefits	5,925	5,797
Provisions	2,660	3,413
Interest rate swaps	780	982
Other	1,328	2,983
Net balance disclosed as deferred tax liability	**(361,438)**	**(373,678)**

For the year ended 30 June 2017, the Company had $0.2 million of income tax expense (2016: $0.5 million benefit) recognised directly in equity in relation to cash flow hedges, with a corresponding deferred tax liability (2016: asset) being recognised. There are $70.917 million available unused tax losses on the capital account for which no deferred tax asset has been recognised (2016: $18.707 million). There are no other unused tax losses for which no deferred tax asset has been recognised.

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 assumed to be recovered 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
2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cost	33,652	38,887	350,645	8,620	431,804
Accumulated depreciation expense	(9,805)	(21,931)	(263,890)	-	(295,626)
Net carrying amount	**23,847**	**16,956**	**86,755**	**8,620**	**136,178**
Movement					
Net carrying amount at beginning of year	27,522	13,668	95,411	8,648	145,249
Additions	283	6,333	15,066	6,411	28,093
Disposals	(1,098)	(11)	21	-	(1,088)
Disposal of operations and assets	(1,789)	(239)	(4,556)	-	(6,584)
Depreciation expense	(1,071)	(2,319)	(26,102)	-	(29,492)
Transfers	-	(476)	6,915	(6,439)	-
Net carrying amount at end of year	**23,847**	**16,956**	**86,755**	**8,620**	**136,178**

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**

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	Customer Contracts	Total
2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cost	352,129	1,483,224	89,700	2,240	1,927,293
Accumulated impairment expense	(352,129)	(300,583)	(24,848)	-	(677,560)
Accumulated amortisation expense	-	-	-	(778)	(778)
Net carrying amount	**-**	**1,182,641**	**64,852**	**1,462**	**1,248,955**
Movement					
Net carrying amount at beginning of year	-	1,224,773	64,736	-	1,289,509
Additions	-	6,940	116	2,240	9,296
Amortisation expense	-	-	-	(778)	(778)
Disposal of operations and assets	-	(49,072)	-	-	(49,072)
Net carrying amount at end of year	**-**	**1,182,641**	**64,852**	**1,462**	**1,248,955**

Consolidated	Goodwill	Broadcasting Licences	Brands and Tradenames	Customer Contracts	Total
2016	**$'000**	**$'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
Net carrying amount at end of year	**-**	**1,224,773**	**64,736**	**-**	**1,289,509**

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

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.

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 2017 and 30 June 2016 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
2017	**$'000**	**$'000**	**$'000**
Goodwill allocated to CGU	-	-	-
Indefinite lived intangible assets allocated to CGU	628,571	618,922	1,247,493
Finite lived intangible assets allocated to CGU	-	1,462	1,462
Total goodwill, finite and indefinite lived intangible assets	**628,571**	**620,384**	**1,248,955**

8. Impairment (continued)

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

Key Judgement	**Regional CGU** %	**Metro CGU** %
Value in use assumptions (see part (b))		
Revenue growth – Forecast Period	-0.3	2.9
Cost growth – Forecast Period	0.2	2.1
Long-term growth rate – terminal value	1.3	2.3
Discount rate (pre-tax)	12.7	12.2

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

b) Key assumptions used for value in use calculations

The value in use calculations use cash flow projections based on the 2018 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. The forecast period cash flows include the benefit of proposed ACMA licence fee reductions, the legislation for which has not been enacted. However, if this benefit is removed from the forecast period cash flows, the reduction would not be sufficient to reduce recoverable amount below carrying value in either CGU.

8. Impairment (continued)

c) Sensitivity

Any variation in key assumptions used to determine the value in use would result in a change in the recoverable amount of the Regional and Metro CGU's. The following shifts in key assumptions would result in a recoverable amount equal to the carrying value, however it is not considered any reasonable possible change to key assumptions would individually lead to the recoverable amount being below the carrying value.

Sensitivity		**Change in variable**
2017	**Regional CGU**	**Metro CGU**
	%	**%**
Revenue growth – Forecast Period	-0.6%	-0.9%
Cost growth – Forecast Period	+0.9%	+1.7%
Long-term growth rate – terminal value	-0.6%	-1.2%
Discount rate (pre-tax)	+0.7%	+1.3%

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

	Consolidated	
	2017 $'000	2016 $'000
Profit after income tax	108,563	77,243
Depreciation and amortisation	30,870	28,850
Net gain from disposal of operations and assets	(3,559)	(2,734)
Share of associate profit	(510)	(286)
Interest expense and other borrowing costs included in financing activities	19,510	26,029
Share-based payments	2,000	3,261
Change in operating assets and liabilities:		
Increase in receivables	(7,717)	(20,772)
(Increase)/Decrease in deferred taxes (net of tax movement in hedge reserve)	(12,442)	2,876
(Decrease)/increase in payables (excluding interest expense classifed as financing activities)	(6,064)	10,886
(Decrease)/increase in deferred income	(6,446)	100,100
(Decrease)/increase in provision for income tax	(4,951)	1,578
Decrease in provisions	(3,013)	(3,293)
Net cash inflows from operating activities	**116,241**	**223,738**

10. Receivables, Payables, Deferred Income and Provisions

a) Receivables

	Consolidated 2017 $'000	2016 $'000
Current		
Trade receivables	131,744	127,412
Provision for doubtful debts	(703)	(650)
Prepayments	12,795	12,520
Other[1]	14,174	2,721
	158,010	**142,003**

[1] Included in Other in 2017 is $10.120 million of deferred consideration due in connection with the disposal of operations and assets (refer Note 4).

	Consolidated 2017 $'000	2016 $'000
Non-current		
Refundable deposits	138	81
Related parties	1,543	786
Other	1,283	1,810
	2,964	**2,677**

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 2017	**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	113,877	11,854	3,098	2,915	131,744
Provision for doubtful debts	-	-	-	(703)	(703)

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)

The Group has recognised expenses in respect of bad and doubtful trade receivables during the year ended 30 June 2017 of $1,130,603 (2016: expense of $665,927). 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 in 2016 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. The facility matured on 19 June 2017 and was not extended.

	Consolidated	
	2017 $'000	**2016 $'000**
Current		
Carrying amount of transferred receivables (included in trade receivables)	-	55,427
Carrying amount of associated secured borrowing (included in secured borrowings)	-	(36,801)

b) Payables

	Consolidated	
	2017 $'000	**2016 $'000**
Current		
Trade creditors	11,523	15,596
GST payable	4,132	3,812
Accruals and other payables	65,387	66,980
	81,042	**86,388**

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	
	2017 \$'000	**2016 \$'000**
Current		
Deferred income	9,477	12,590
	9,477	**12,590**

	Consolidated	
	2017 \$'000	**2016 \$'000**
Non-current		
Deferred income	91,945	95,278
	91,945	**95,278**

Recognition and Measurement

Deferred Income

In 2016, 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 2017 $'000	Consolidated 2016 $'000
Current		
Employee benefits	17,766	17,178
Onerous contracts	1,195	1,574
Lease provisions	769	595
	19,730	**19,347**

	Consolidated 2017 $'000	Consolidated 2016 $'000
Non-current		
Employee benefits	2,142	2,144
Onerous contracts	1,381	3,241
Lease provisions	6,611	6,454
	10,134	**11,839**

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

	Consolidated 2017 $'000	Consolidated 2016 $'000
Balance at the beginning of the financial year	11,864	14,109
Additional provisions made in the period, including increases to existing provisions	602	-
Amounts used during the period	(1,695)	(2,245)
Unused amounts reversed during the period	(815)	-
Balance at the end of the financial year	**9,956**	**11,864**

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.

Onerous Contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the obligation under the contract. The provision is measured at the lower of the cost of fulfilling the contract and any compensation or penalties arising from the failure to fulfil it.

Lease Provisions

The lease provision covers lease arrangements to enable the lease expenses to be recognised on a straight-line basis over the life of the lease. The provision also comprises of makegood provisions included in lease agreements for which the Group has a legal or constructive obligation. The present value of the estimated costs of dismantling and removing the asset and restoring the site is recognised as a provision. At each reporting date, the liability is remeasured in line with changes in discount rates, estimated cash flows and the timing of those cashflows.

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 has been suspended since the 2016 interim dividend following the successful reduction in the Group's leverage ratio.

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

Debt Facilities

Syndicated Debt Facility

The Group has a $470 million (2016: $495 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 $25 million of this facility to reduce its commitment from $495 million to $470 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 2017, the leverage ratio was 1.81 times and the interest cover ratio was 10.0 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. The facility matured on 19 June 2017 and was not extended.

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

Property, Plant and Equipment and Intangibles

The capital expenditure for 2017 was $28.613 million (2016: $22.715 million).

During the year the Group divested intangibles and other non-core assets which resulted in approximately $54.905 million (2016: $16.141 million) cash being received which was used for the acquisition of the assets of Authentic Entertainment Pty Ltd for $7.196 million and 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	
	2017	**2016**
	$’000	**$’000**
The dividends were paid as follows:		
Interim dividend paid for the half year ended 31 December 2016/2015 - fully franked at the tax rate of 30%	28,838	24,983
Final dividend paid for the year ended 30 June 2016/2015 – fully franked at the tax rate of 30%	26,915	22,608
	55,753	**47,591**
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan were as follows:		
Paid in cash	55,753	33,680
Satisfied by issue of shares	-	13,911
	55,753	**47,591**
	Cents per share	**Cents per share**
Interim dividend paid for the half year ended 31 December	3.75	3.25
Final dividend paid for the year ended 30 June	3.50	3.00
	7.25	**6.25**

The Group has $135.3 million of franking credits at 30 June 2017 (2016: $122.5 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 2017 ordinary dividend of $30.761 million (4.00 cents per fully paid share) out of current year earnings. This dividend will be paid on 10 October 2017 by the Company.

13. Earnings per Share

	Consolidated	
	2017	**2016**
Continuing Operations		
Profit attributable to shareholders from continuing operations ($'000)	108,563	77,243
Weighted average number of shares used as the denominator in calculating basic earnings per share (shares, '000)	769,005	763,422
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (shares, '000)	771,676	765,025
Basic earnings per share (cents per share)	14.12	10.12
Diluted earnings per share (cents per share)	14.07	10.10
Dividends paid/proposed for the year as a % of NPAT[1]	**54.9%**	**67.2%**

[1] Profit attributable to shareholders from continuing operations included a $14.7 million non-cash credit within deferred tax following the disposal of indefinite lived intangibles. Excluding this item the dividends paid/proposed for the year as a % of NPAT is 63.5%.

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	
	2017	**2016**
	$'000	**$'000**
Ordinary shares	1,379,736	1,379,386
Contributed equity	**1,379,736**	**1,379,386**

14. Contributed Equity and Reserves (continued)

	Consolidated		Consolidated	
	2017 $'000	2016 $'000	2017 Number of securities '000	2016 Number of securities '000
On issue at the beginning of the financial year	1,379,386	1,365,110	768,727	753,586
Shares issued for equity component in talent contracts	350	365	287	304
Shares issued in relation to the DRP and DRP underwrite	-	13,911	-	14,837
On issue at the end of the financial year	**1,379,736**	**1,379,386**	**769,014**	**768,727**

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, 219,872 performance rights have vested (2016: nil) and 2,245,096 (2016: 1,393,443) performance rights have been granted. In the current year, $917,018 (2016: $527,762) 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 $77.406 million (2016: $77.406 million) in connection with the IPO of the Group.

15. Borrowings

a) Total interest bearing liabilities

	Consolidated 2017 $'000	Consolidated 2016 $'000
Current secured borrowings		
Securitised receivables	-	36,801
Lease liabilities	86	129
Total secured current interest bearing liabilities	**86**	**36,930**

	Consolidated 2017 $'000	Consolidated 2016 $'000
Non-current secured borrowings		
Bank facilities	370,000	435,000
Borrowing costs	(1,268)	(2,241)
Lease liabilities	30	132
Total secured non-current interest bearing liabilities	**368,762**	**432,891**
Total current and non-current borrowings	**368,848**	**469,821**

For all non-current borrowings, the carrying amount approximates fair value in the balance sheet. Of the $1.268 million of borrowing costs, $0.828 million (2016: $0.973 million) will reverse during the year ending 30 June 2018.

On 19 June 2015, the Company entered into a $65 million non-recourse receivables financing facility. As at 30 June 2017 the amount of funding received under the securitised facility was $nil (2016: $36.801 million). The facility matured on 19 June 2017 and was not extended.

b) Interest expense

	Consolidated 2017 $'000	Consolidated 2016 $'000
Interest expense and other borrowing costs		
External banks	18,537	25,053
Amortisation of borrowing costs	973	976
Total interest expense and other borrowing costs	**19,510**	**26,029**

c) Bank facilities and assets pledged as security

The $470 million debt facilities (2016: $495 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 3.53% (2016: 4.28%). 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	
	2017	**2016**
	$'000	**$'000**
Current assets		
Floating charge		
Cash and cash equivalents	48,972	94,770
Receivables	157,441	141,068
Total current assets pledged as security	206,413	235,838
Non-current assets		
Floating charge		
Receivables	2,824	2,597
Investments accounted for using the equity method	4,088	3,266
Property, plant and equipment	136,178	145,249
Intangible assets	1,248,955	1,289,509
Total non-current assets pledged as security	1,392,045	1,440,621
Total assets pledged as security	**1,598,458**	**1,676,459**

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 3.53% (2016: 4.28%). 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% (2016: 2.5%). These interest rate swap contracts will expire in January 2018. In 2017 the Group entered into $200 million of interest rate swap contracts under which it is obliged to receive interest at variable rates and pay interest at fixed rates starting in January 2018 at an average fixed rate of 2.4%. These interest rate swap contracts will expire in January 2021. Details on how the Group accounts for the interest rate swap contracts as cashflow hedges is disclosed in note 25.

Derivative financial instruments

	Consolidated	
	2017 **$'000**	**2016** **$'000**
Interest rate swap contracts – current liability	1,651	-
Interest rate swap contracts – non current liability	948	3,273
Total derivative financial instruments	**2,599**	**3,273**

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 (2016: +/- 25 basis points) in the relevant interest rates at 30 June 2017 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
2017		**+25**	**-25**	**+25**	**-25**
Cash at bank	48,978	86	(86)	-	-
Interest rate swaps	(2,599)	461	(461)	2,036	(2,051)
Borrowings	(370,000)	(648)	648	-	-
2016		**+25**	**-25**	**+25**	**-25**
Cash at bank	94,776	166	(166)	-	-
Interest rate swaps	(3,273)	560	(560)	1,396	(1,400)
Borrowings	(435,000)	(761)	761	-	-

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 2017	**$'000**	**$'000**	**$'000**	**$'000**
Line of credit value	470,000	5,000	-	475,000
Used at balance date	(370,000)	(4,168)	-	(374,168)
Unused at balance date	**100,000**	**832**	**-**	**100,832**

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**

16. Financial Risk Management (continued)

b) Liquidity risk (continued)

The $470 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 2017 and 30 June 2016. The non-recourse receivables financing facility matured on 19 June 2017 and was not extended.

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 2017	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-5 years $'000	Greater than 5 years $'000
Lease liabilities	90	21	3	3	4
Borrowings – Principal	-	370,000	-	-	-
Interest cashflows[1]	15,079	8,373	1,360	1,360	-
Derivative financial instruments[2]	1,651	-	-	948	-
Securitised receivables	-	-	-	-	-
Payables[3]	69,908	-	-	-	-
Total	**86,728**	**378,394**	**1,363**	**2,311**	**4**

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]	73,157	-	-	-	-
Total	**127,860**	**21,317**	**443,688**	**3**	**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 $2.599 million (2016: $3.273 million).

3 The payables balance excludes interest payable as the cashflows are included in 'Interest cashflows' above and excludes GST payable as this is not a financial liability.

Group Structure

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

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Carrying amount at the beginning of the financial year	3,657	3,059
Share of profit/(losses) after income tax	510	286
Acquisition of associates and joint ventures	1,000	-
Contributions to associates and joint ventures	-	312
Carrying amount at the end of the financial year	**5,167**	**3,657**

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 2017	Effective ownership interest 2016
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	**2017 $'000**	**2016 $'000**
Current assets	575	876
Non-current assets	966,576	964,654
Total assets	967,151	965,530
Current liabilities	2,080	4,260
Total liabilities	2,080	4,260
Net assets	965,071	961,270
Issued capital	1,282,148	1,281,798
Reserves	5,671	4,754
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	4,947
Retained profits – 2017 reserve	2,534	-
Total equity	965,071	961,270
Profit for the year	**58,987**	**52,538**
Total comprehensive income	**58,987**	**52,538**

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 2017 (2016: nil). The parent entity has not given any unsecured guarantees at 30 June 2017 (2016: nil).

c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2017 (30 June 2016: nil).

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

As at 30 June 2017, the parent entity had no contractual commitments (30 June 2016: 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 certain senior executives. The share-based payment expense for the year ended 30 June 2017 was $917,018 (2016: $527,762).

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

Number of performance rights	2017	2016
Balance at beginning of the year	2,075,763	1,639,982
Granted during the year	2,245,096	1,393,443
Exercised during the year	-	-
Forfeited during the year	(571,736)	(957,662)
Balance at end of year	3,749,123	2,075,763
Vested and exercisable at end of the year	219,872	-

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 2017 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 2016	2 September 2016
Grant date share price	$1.50	$1.50
Fair value at grant date	$0.88	$1.24
Exercise price	Nil	Nil
Dividend yield	6.43%	6.43%
Risk free interest rate	1.45%	1.45%
Expected volatility	39.32%	39.32%

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	
	2017	**2016**
	$	**$**
(a) Audit and other assurance services		
PricewaterhouseCoopers Australian firm:		
Statutory audit and review of financial reports	594,500	644,400
Other assurance services	50,000	-
Regulatory returns	27,000	35,000
Total remuneration for audit and other assurance services	671,500	679,400
(b) Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax services	-	21,750
Total remuneration for taxation services	-	21,750
(c) Other services		
PricewaterhouseCoopers Australian firm:		
Debt advisory	12,000	-
Other consulting services	-	-
Total remuneration for other services	12,000	-
Total	**683,500**	**701,150**

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 & 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 & 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	
	2017	**2016**
	$	**$**
Short-term employee benefits	6,110,212	5,892,717
Post-employment benefits	215,634	238,391
Other long-term benefits	12,655	31,212
Termination payments	-	294,531
Share-based payments	733,166	571,383
	7,071,667	**7,028,234**

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 (2016: 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.

23. Leases and Other Commitments

	Consolidated 2017 $'000	2016 $'000
Capital commitments		
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	1,085	2,850
	1,085	**2,850**
Operating leases		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	20,192	22,457
Later than one year but not later than 5 years	53,701	62,707
Later than 5 years	20,603	31,113
	94,496	**116,277**
Finance lease payment commitments		
Finance lease commitments are payable as follows:		
Within one year	90	144
Later than one year but not later than 5 years	27	136
Later than five years	4	4
	121	284
Less: Future lease finance charges	(5)	(23)
	116	**261**
Lease liabilities provided for in the financial statements:		
Current	86	129
Non-current	30	132
Total lease liability	**116**	**261**

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 $26.9 million (2016: $25.5 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 $14.4 million (2016: $13.3 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 2016 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 2017 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. Management has reviewed the new standard and considers there will be no material impact on the Group's financials, other than some presentation changes and expanded disclosures required.	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 has performed a review of the new standard. It has been identified that there will not be a material change to the recognition of the majority of the Group's revenue, however the exception to this is revenue recognised from the ATN contract (refer Note 10(c)) Management has identified that an implied financing component exists within the ATN contract. The Group will be required to adjust the amount of revenue for the effects of the time value of money. The effect on the Group's financials will be an increase in revenue and in financing costs, which will lead to an initial reduction in net profit. This is not expected to be significant and will reverse over time as the financing cost reduces.	Mandatory for financial years commencing on or after 1 January 2018. Expected date of adoption by the Group: 1 July 2018.

25. Other Accounting Policies (continued)

Impact of standards issued but not yet applied (continued)

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by Group
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 has performed an initial assessment of the new standard and considers there will be a significant impact on the Group's financials. Applying the new standard will result in the following changes to the Group's financials: • A decrease in operating costs due to the reduction in operating lease expenditure • An initial reduction in net profit for each lease due to the increase in depreciation on the right-of-use lease asset and an increase in interest expense on the lease liabilities. This is expected to reverse over time as the portfolio of leases matures • A gross up of the balance sheet to account for the new right-of-use lease assets and related lease liabilities	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 36 to 77 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
Chairman
Sydney, Australia
24 August 2017

Leon Pasternak
Deputy Chairman
Sydney, Australia
24 August 2017

Independent auditor's report

To the shareholders of Southern Cross Media Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Southern Cross Media Group Limited (the Company) and its controlled entities (together the Group or Southern Cross Austereo) is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the statement of financial position as at 30 June 2017
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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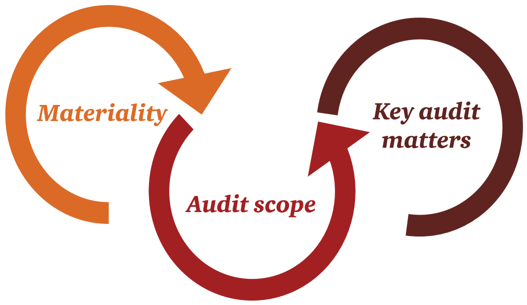
Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality

For the purpose of our audit we used overall group materiality of $6.3 million, which represents approximately 5% of the Group's profit before tax.

We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.

We chose group profit before tax because, in our view, it is the metric against which the performance of the Group is most commonly measured and is a generally accepted benchmark.

We selected 5% based on our professional judgement noting that it is within the range of commonly acceptable profit related thresholds.

Audit scope

Our audit focused on where the Group made subjective judgements for example, significant accounting estimates involving assumptions and inherently uncertain future events.

The Group operates in Australia and the audit is conducted by one engagement team.

Our scope reflects the Group's business model, with multiple revenue accounting systems in operation for the majority of the year. Towards the end of the financial year, revenue systems were consolidated into two distinct systems that follow similar processes for consolidating into the general ledger accounting system. Given multiple systems were in place for the majority of the year, our audit comfort was predominantly obtained from substantive procedures such as analytical review and test of details.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were communicated to the Audit and Risk Committee.

The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Impairment testing for licences, tradenames, and brands *(Refer to note 8)* Southern Cross Austereo recognised indefinite lived intangible assets totalling $1.25 billion as at 30 June 2017 which, under Australian Accounting Standards, must be tested annually for impairment. This was a key audit matter because the determination of whether or not an impairment charge for intangible assets was necessary involved significant judgements by the Group about the future results of the business and assessment of future plans for the Group for both Regional and Metro cash generating units (CGUs). Judgements made in determining whether an impairment should be recorded included assumptions about internal and external factors such as the level of historic and forecast industry growth rates, the financial performance of Southern Cross Austereo in the markets in which it operates and the discount rate.	In designing our audit approach for the key audit matter we considered: • whether there have been any changes in how financial information is reported to the Group CEO and Company Board of Directors, to consider if CGUs have been identified appropriately for impairment testing • the financial and operating performance of the CGUs compared with the budgets of prior years • the challenging and changing operating environment within the TV industry, including the results of the new affiliation agreement between the Group and Channel Nine • recent Radio and TV ratings and the impact on financial performance by the Group • the status of the Government's media reform package, including the proposed ACMA licence fee reductions • the potential reasons for the change in market capitalisation of the Company and the carrying value of the assets through the year and their impact on our assessment of potential impairment; and • developments during the year that could impact the discount rate and the long term growth rate calculations. We obtained the value-in-use discounted cash flow model (the model) used for impairment testing by the Group and performed mathematical checks on the model. We developed an understanding of the Group's process for preparing forecast cash flows in the model and evaluated the Group's ability to forecast future cash flows by considering the historical accuracy of budgeted cash flows. We assessed key assumptions within the model with specific focus on forecast revenue and profit margins (including consideration of underlying

Key audit matter	How our audit addressed the key audit matter
	estimates such as market growth, forecast ratings results and sales conversion ratios). We compared the key assumptions in the model to readily available market information such as 3rd party market share publications, 3rd party forecast revenue projections for the television and radio industries, along with Group produced historical financial information and strategic plans. We considered the Directors' judgement that the proposed ACMA licence fee reductions, the legislation for which has not been enacted, should be included in the forecast cash flows within the model. Sensitivity analysis was performed over key assumptions in the model to ascertain the extent of change in those assumptions that either individually or collectively would result in the assets being impaired and we also assessed the likelihood of such a movement in those key assumptions arising. We utilised PwC valuations experts to calculate an independent discount rate range to compare to the discount rate used by the Group.
Indefinite life of intangible assets (Refer to note 7) On at least an annual basis, Southern Cross Austereo reviews its portfolio of intangible assets to determine whether they should be classified as amortising intangible assets with finite lives or non–amortising intangibles with indefinite lives. As of 30 June 2017, Southern Cross Austereo recognised $1.25 billion of intangible assets classified as non-amortising indefinite lived. This was a key audit matter because determination of whether or not intangibles are indefinite lived involves significant judgements over multiple sources of externally and internally generated information. The determination has an impact on the financial statements as it affects whether amortisation is recorded in the statement of comprehensive income. Information assessed includes the regulatory and licencing framework and the ease of licence fee renewal. This information is then compared with relevant industry developments, such as the market share of new digital entrants that are not subject to the same regulatory and licence framework. Finally, relevant external developments are considered alongside Group prepared strategic plans and budgets to assess if the assets are indefinite lived.	In assessing the indefinite useful life of intangible assets we considered: • regulatory developments in the year with specific focus on any changes to the licence renewal process • whether there had been any revocation of television or radio licences in the year • market share data related to new industry participants not subject to the same regulatory and licence framework and • strategic plans for the Group's intended use of the related assets. We also benchmarked the conclusion made by Southern Cross Austereo against a selection of similar assets held by other industry participants.

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Key audit matter	How our audit addressed the key audit matter
Borrowings *(Refer to note 15)* The capital structure of the Group is important to developing an understanding of the financial statements, as is the assessment of whether borrowings are current or non-current. The Group has $370m of borrowings maturing in January 2019 that were classified as non-current at 30 June 2017. Where borrowings have been classified as non-current, the Group assessed whether it had an unconditional right to defer payment for more than 12 months from the balance date. This borrowings balance represented 39% of total liabilities and, due to the magnitude of the balance, was deemed to be a key audit matter.	To assess if the loan amount is appropriately recognised, a confirmation was obtained directly from the agent of the syndicated financial institutions that issued the loan. The confirmation detailed relevant information including amounts, tenor and other relevant conditions. We obtained the debt agreement to develop our understanding of the arrangements of the loan and maturity profile of the facility. We compared the loan and maturity profile of the facility within the debt agreement to the classification of borrowings in the financial statements at 30 June 2017.
Deferred tax liability *(Refer to note 1 and note 5)* During the period, guidance was published by the IFRS Interpretation Committee (IFRIC) to clarify the accounting treatment of deferred tax in relation to indefinite lived intangible assets. In reviewing this guidance, the Group made a judgement that, for tax purposes, the carrying value of the indefinite lived intangible assets should be determined on the basis of recovery through use rather than through sale. This resulted in a retrospective change in accounting policy, and a change in deferred tax recorded at 1 July 2015 from a deferred tax asset of $12.3m to a deferred tax liability of $371.3m. Due to the magnitude of the balance this was deemed to be a key audit matter.	In assessing the change in accounting policy, we performed the following procedures: • We considered the guidance published by IFRIC and compared to the Group's analysis and conclusion and • We re-performed the calculation underlying the $371.3m deferred tax liability.

Other information

The directors are responsible for the other information. The other information included in the annual report comprises the Directors' Report (but does not include the financial report and our auditor's report thereon), which we obtained prior to the date of this auditor's report. We also expect other information to be made available to us after the date of this auditor's report, including the Chairman's Statement, CEO's Report, Additional Stock Exchange Information, Corporate Directory, Board of Directors overview, and other operational highlights including Statistics Snapshot, Brand Hierarchy, Metro Audiences Engage with SCA, Winning the Hearts of Locals in Regional Australia, Australia's Largest Audio Network, The Commercial Power of SCA, and People, Values & Partners.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 12 to 33 of the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Southern Cross Media Group Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

PricewaterhouseCoopers

Sam Lobley
Partner

Melbourne
24 August 2017