



MEDIA RELEASE

24th FEBRUARY 2005

Year Ended 30 June	<u>31/12/2004</u>	<u>31/12/2003</u>	
	\$000	\$000	
Sales Revenue	272,586	198,914	+37.0%
EBITDA	62,740	53,632	+17.0%
Depreciation and amortisation	8,301	8,026	
Amortisation of goodwill	2,172	91	
EBIT	52,267	45,515	+14.8%
Net borrowing costs	7,280	8,491	
Interest on CPS	362	-	
Profit before Tax and specific items	44,625	37,024	+20.5%
Income Tax	11,364	10,887	
Net profit before specific items	33,261	26,137	+27.3%
Specific items	14,990	-	
Net profit	48,251	26,137	+84.6%
Interim Dividend Per Share	33 cents	30 cents	+10.0%

The Chairman of Southern Cross Broadcasting (Australia) Limited, Mr John Dahlsen today announced an unaudited net profit, before specific items of \$33,261,000 for the six months ended 31 December 2004, up 27% from \$26,137,000 for the previous corresponding period.

Mr Dahlsen reported the trading result reflected the following relevant factors:

- Trading conditions in electronic media remained strong during the half year with market revenue for metropolitan television increasing 10.5%, regional television growing 8.6% and metropolitan radio up 13.7%;
- An impressive sales revenue performance from our regional television operations, assisted by an increase in revenue market share resulting from improved ratings;

- Channel 9's Adelaide earnings increased substantially on solid market revenue growth;
- Our radio division's earnings also increased substantially with solid performances from our Melbourne, Perth and Brisbane stations; and
- The current period's results included the following specific items (a net gain of \$14.99 million):
 - a gain of \$15.6 million realised on the sale of our 30.5% holding in the associated company, Digital Distribution Australia Pty. Limited (formerly ntl Telecommunications Pty. Limited). This gain was effectively a reversal of a provision previously raised against this holding; and
 - a loss of \$0.61 million associated with the closure of the Tricom audiotext business.

Mr Dahlsen said "The diversification of our media assets has continued to significantly enhance our financial position with strong trading conditions in metropolitan television, regional television and radio operations throughout this half year."

Mr Dahlsen also said "Directors are pleased with the acquisition of Southern Star and its continuing contribution to group profits. Southern Star Group, acquired on 15 April 2004, contributed earnings of \$4.7 million before tax and goodwill amortisation".

DIVIDENDS

Directors have declared a fully franked interim dividend of 33 cents per share, up 10% on the 30 cents paid in the previous corresponding period.

Shareholders are reminded that the company's Dividend Reinvestment Plan will operate in respect of the interim dividend payable on 18 March 2005. The Plan offers all shareholders the opportunity of taking shares at a 2.5% discount on the prevailing market price. The last day for lodgement of Notice of Election/Variation is Wednesday, 9 March 2005.

OPERATIONAL ACHIEVEMENTS

Broadcasting

In commenting on the company's performance over the last six months, the Managing Director, Mr Tony Bell said that the company continued to focus on cost containment and revenue market share growth in all divisions in a buoyant advertising market. Mr Bell drew particular attention to:

- Achieving a 27% increase in profit before specific items to \$33.3 million is pleasing in an environment of new and higher costs associated with affiliation fees, transmission of digital services, provision of local news services and centralisation of operations and distribution;

- With improved ratings, our regional television network achieved revenue growth above the market average, offsetting the new and higher costs and achieving earnings expectations;
- Channel 9 Adelaide's performance improved significantly on the previous corresponding year with revenue growth above 11%. This was achieved despite the adverse impact on revenue in the month the Olympic Games were broadcast on a competing network;
- A more competitive radio market in Sydney still presents challenges for Radio 2UE. 2UE's trading performance has improved since October 2004 and we expect this trend to continue;
- Radio 3AW in Melbourne rated Number 1 in all surveys in 2003 and in 2004 and has further benefited from the fragmentation of audiences in the highly competitive FM market. Magic 693 in Melbourne has also performed well. Both stations benefited from strong market-revenue growth;
- 96FM has continued to rate well in the 25 to 39 age group. The 96FM/6PR combination achieved revenue growth of 20%, which is above the market average;
- The 4BC/4BH combination has continued to strengthen our audience delivery and revenue earning opportunities in the Brisbane market. The combination achieved a strong earnings contribution;
- Southern Cross Media Sales has succeeded in developing a very effective national sales representation service for our radio and television networks. Its Business Development Unit has enhanced the performance by introducing advanced sales concepts that have contributed to revenue market share growth; and
- Southern Star contributed \$4.7 million towards group earnings, before tax and goodwill amortisation. Southern Star is expected to trade consistently in the second half with a solid production slate and a growing library of titles for sale internationally. Key productions include Big Brother, Blue Heelers, Deal or No Deal and a number of factual, and children's animation programs. The company increased its ownership in Carnival (Films & Theatre) UK during the half, which is expected to yield operational synergies.

MEDIA LAWS

Mr Bell said that the company is in a strong financial position with buoyant advertising market conditions for its metropolitan radio and television and regional television stations, an efficient operating structure, a strong balance sheet, market capitalisation of around \$1.1 billion and debt/equity and debt/market capitalisation gearing of around 33% and 19% respectively. Any change in Australia's cross media and foreign ownership laws this year may provide opportunities for the company and our shareholders.

SUBSEQUENT EVENTS

Subsequent to balance date, the Put and Call option on the sale of the Brisbane radio property was exercised resulting in cash proceeds of \$9,995,000 received and a pre-tax profit of \$7,811,000. This transaction will be recorded in the second half of this financial year.

FUTURE OUTLOOK

Mr Bell said that advertising conditions remain favourable with an expected market revenue growth of around 6% for this half. In the absence of unforeseen circumstances, the company is well placed to achieve growth in the second half.

The company's broadcasting division will continue to focus on increased audience and revenue share and should comfortably meet new costs associated with television affiliation fees and the phasing in of digital television services. At the same time, the company will continue to focus on integrating Southern Star and investigating opportunities to expand in appropriate areas that will enhance its existing media and television program production and distribution interests.

About SCB:

Southern Cross Broadcasting (Australia) Limited owns and operates commercial radio and television stations throughout Australia and an integrated film and television production and distribution business in Australia and overseas.

Regional Television Network:

Southern Cross Ten Queensland
Southern Cross Ten Northern NSW
Southern Cross Ten Southern NSW and ACT
Southern Cross Ten Victoria
Southern Cross Television Tasmania
Spencer Gulf Telecasters GTS/BKN South Australia
Southern Cross Ten Spencer Gulf/Broken Hill South Australia
Southern Cross Television Central
Southern Cross Television Darwin
50% Tasmania Digital Television

Metropolitan Television Station:

Channel Nine Adelaide

Talk Radio Network:

3AW Melbourne
2UE Sydney
6PR Perth
4BC Brisbane

Music Radio Stations:

Magic 693 Melbourne
96FM Perth
4BH Brisbane

Southern Star

Southern Star Entertainment
Southern Star Sales
Southern Star Entertainment UK
Carnival (UK)
49% interest in Endemol Southern Star
50% interest in Southern Star Golden Globe

Other Businesses:

Southern Cross Media Sales
Southern Cross Syndication
Southern Cross Telecommunications

Southern Cross Broadcasting's media interests have a potential reach of 94% of Australia's population.

For further information: Mr Tony Bell, Managing Director or Mr Eddie Chia, Company Secretary
Telephone: (03) 9243 2100 Facsimile: (03) 9690 0937

SOUTHERN CROSS BROADCASTING (AUSTRALIA) LIMITED

ABN 86 006 186 974

**HALF-YEAR REPORT - APPENDIX 4D
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004****This Half Year Report is provided to the Australian Stock Exchange (ASX) under
ASX Listing Rule 4.2A.3**

Current Reporting Period:

Half-Year ended 31 December 2004

Previous Corresponding Period:

Half-Year ended 31 December 2003

Results for Announcement to the Market

Revenue and Net Profit/(Loss)				\$A '000
Revenues from ordinary activities	Up	50%	to	305,511
Profit from ordinary activities after tax attributable to members	Up	85%	to	48,227
Net profit for the period attributed to members	Up	85%	to	48,227

Dividends (Distributions)	Amount per security	Franked amount per security
Interim dividend	33 cents	33 cents
Previous corresponding period	30 cents	30 cents
Record date for determining entitlements to the dividend	9 March 2005	
Payment date of interim dividend	18 March 2005	

Brief explanation of Revenue, Net Profit and Dividends (Distributions):

Refer Media Release

December
2004

December
2003

NET TANGIBLE ASSETS PER SECURITY

Net tangible assets per security 8.40 8.52

DIVIDENDS

Interim Dividends

Total dividend per security	33 cents	30 cents
Total dividend distributions (\$'000)	22,562	17,845

Any other disclosures in relation to dividends

The interim dividend of 33 cents per ordinary share, payable on 18 March 2005, will be fully franked at 30%. There is no amount contained within the securities that relates to foreign source dividends.

Dividend Reinvestment Plans

Southern Cross Dividend Reinvestment Plan provides shareholders with the opportunity to acquire additional shares in lieu of cash dividends. The discount on the prevailing market price under the plan is 2.5%. The interim dividend has not been provided for in the accounts, in accordance with the Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets".

Last date(s) for receipt of election notices for the dividend plan:

9 March 2005

DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Details of aggregate share of profits (losses) and details of material interest in associates and joint venture entities

Equity accounting associates and joint venture entities	Percentage of Ordinary Shares held at the end of the period or at date of disposal		Contribution to net profit	
	December 2004 %	December 2003 %	December 2004 \$'000	December 2003 \$'000
ntl Telecommunications Pty Ltd	-	30.5	-	-
Homebush Transmitters Pty Ltd	50	50	5	13
Gold Coast Translators Pty Ltd	25	25	-	3
Regional TAM Pty Ltd	35.71	35.71	202	1
Tasmanian Digital Television Pty Ltd	50	50	(248)	(22)
Carnival (Films & Theatre) Ltd *	-	-	(21)	-
Southern Star Endemol Pty Ltd	49	-	1,686	-
Oculogic Pty Ltd	46.6	-	(193)	-
Southern Star Golden Globe Pty Ltd	50	-	(83)	-
			1,348	(5)

* For further detail please refer to Note 7 of the attached Financial Statements

INFORMATION ON AUDIT OR REVIEW

This report is based on the accounts to which one of the following applies:

- The accounts have been audited.
- The accounts are in the process of being audited or subject to review.
- The accounts have been subject to review.
- The accounts have not yet been audited or reviewed.

Description of any or any likely dispute or qualification of the accounts during or post audit or review.

Nil

Signed here:  Company Secretary

Date: 24 February 2004

Print name: Edward Chia

**CONDENSED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

		Consolidated	
	Notes	December 2004 \$000	December 2003 \$000
Revenue from ordinary activities	2	305,511	203,617
Expenses from ordinary activities	2	(247,244)	(166,588)
Share of net profit/(loss) of associate entities accounted for using the equity method		1,348	(5)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE	2	59,615	37,024
Income tax expense relating to ordinary activities	3	(11,364)	(10,887)
NET PROFIT		48,251	26,137
Net profit attributable to outside equity interests		(24)	(22)
Net profit attributable to members		48,227	26,115
Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity		(1,940)	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		46,287	26,115
Basic earnings per share (cents per share)		68.13	44.26
Diluted earnings per share (cents per share)		67.68	44.17
Franked dividends paid during the period (cents per shares)		30.00	27.00
Franked dividends proposed but not recognised as a liability during the period (cents per share)		33.00	30.00

The accompanying notes form an integral part of this Statement of Financial Performance

SOUTHERN CROSS BROADCASTING (AUSTRALIA) LIMITED

A.B.N. 86 006 186 974

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2004**

	Notes	December 2004 \$000	Consolidated June 2004 \$000	December 2003 \$000
Current assets				
Cash assets		19,980	9,229	442
Receivables		134,008	133,382	74,950
Inventories		20,074	20,486	12,832
Other		11,094	7,365	7,120
Total current assets		<u>185,156</u>	<u>170,462</u>	<u>95,344</u>
Non current assets				
Receivables		7,294	20,930	13,086
Inventories		22,932	24,212	19,107
Investments accounted for using the equity method		7,313	12,018	30
Other financial assets		2,935	2,935	2,057
Property, plant and equipment		157,303	128,987	119,437
Deferred tax assets		6,260	5,501	4,877
Television and radio licences		602,672	602,672	602,672
Intangible assets		60,835	59,008	640
Other		6,761	7,092	2,336
Total non current assets		<u>874,305</u>	<u>863,355</u>	<u>764,242</u>
Total assets		<u>1,059,461</u>	<u>1,033,817</u>	<u>859,586</u>
Current liabilities				
Payables		110,017	111,027	45,909
Interest bearing liabilities		4,396	4,287	2,435
Current tax liabilities		5,556	7,085	6,361
Provisions		11,874	12,163	10,550
Total current liabilities		<u>131,843</u>	<u>134,562</u>	<u>65,255</u>
Non current liabilities				
Payables		18,281	22,289	9,487
Interest bearing liabilities		237,918	247,890	266,336
Interest bearing liabilities - convertible preference shares		15,673	15,751	-
Deferred tax liabilities		15,879	12,061	8,554
Provisions		2,941	2,669	2,263
Total non current liabilities		<u>290,692</u>	<u>300,660</u>	<u>286,640</u>
Total liabilities		<u>422,535</u>	<u>435,222</u>	<u>351,895</u>
Net assets		<u>636,926</u>	<u>598,595</u>	<u>507,691</u>
Equity				
Contributed equity		528,106	516,146	431,865
Reserves		35,508	37,448	33,106
Retained profits		73,082	44,795	42,529
Total parent entity interest in equity		<u>636,696</u>	<u>598,389</u>	<u>507,500</u>
Total outside equity interest		<u>230</u>	<u>206</u>	<u>191</u>
Total equity		<u>636,926</u>	<u>598,595</u>	<u>507,691</u>

The accompanying notes form an integral part of this Statement of Financial Position
SOUTHERN CROSS BROADCASTING (AUSTRALIA) LIMITED
A.B.N. 86 006 186 974

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

	Note	Consolidated	
		December 2004 \$000	December 2003 \$000
Cash flows from operating activities			
Receipts from customers		303,614	207,637
Payments to suppliers and employees		(253,876)	(161,560)
Interest received		533	174
Borrowing costs paid		(7,044)	(8,875)
Income taxes paid		(10,650)	(5,994)
Net cash flows from operating activities		<u>32,577</u>	<u>31,382</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(34,953)	(13,659)
Purchase of controlled entities, net of cash acquired	7	2,974	-
Proceeds from sale of property, plant and equipment		1,406	310
Proceeds from sale of investments		25,500	-
Loan advanced to associated company		(873)	(2,588)
Loan repayments received		1,997	250
Other		913	575
Net cash flows from investing activities		<u>(3,036)</u>	<u>(15,112)</u>
Cash flows from financing activities			
Proceeds from issue of shares or options		3,411	780
Share issue costs paid		-	(9)
Repayment of finance lease principal		(433)	(459)
Dividends paid		(11,811)	(9,430)
Proceeds from borrowings		27,070	13,000
Repayment of borrowings		(37,000)	(21,000)
Net cash flows from financing activities		<u>(18,763)</u>	<u>(17,118)</u>
Net increase/(decrease) in cash held		10,778	(848)
Add opening cash brought forward		8,454	(184)
Effects of exchange rate changes on cash		(172)	-
Closing cash carried forward		<u>19,060</u>	<u>(1,032)</u>

The accompanying notes form an integral part of this Statement of Cash Flows

SOUTHERN CROSS BROADCASTING (AUSTRALIA) LIMITED

A.B.N. 86 006 186 974

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

NOTE 1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Southern Cross Broadcasting (Australia) Ltd as at 30 June 2004. It is also recommended that the half-year financial report be considered together with any public announcements made by Southern Cross Broadcasting (Australia) Ltd and its controlled entities during the half-year ended 31 December 2004 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements including Urgent Issues Group Consensus Views.

The half-year financial report has been prepared using the historical cost convention, except for programme copyright which is measured at either cost or net realisable value, distribution advances and costs which are measured at recoverable amounts, and television and radio licenses which are measured at deemed cost.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete financial reporting period.

(b) Changes in accounting policies

The accounting policies applied are consistent with the most recent annual financial report for the year ended 30 June 2004.

Consolidated	
December	December
2004	2003
\$000	\$000

NOTE 2 PROFIT FROM ORDINARY ACTIVITIES

Profit from ordinary activities is after crediting the following operating revenues:

Sales revenue	272,586	198,914
Other revenue:		
Interest received	550	187
Proceeds from specific items	25,500	-
Proceeds from sale of property, plant & equipment	1,406	315
Net foreign exchange gains	138	136
Other	5,331	4,065
	305,511	203,617

Profits on sale of property, plant & equipment	449	73
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Profit from ordinary activities is after charging the following expenses:

Depreciation of buildings, property, plant and equipment	7,906	7,639
Amortisation of leased assets and leasehold improvements	395	387
Amortisation of goodwill	2,172	91
Borrowing costs	7,830	8,678
Borrowing costs - convertible preference shares	362	-
Operating lease rentals	4,092	3,110

(a) Specific Items

Profit from ordinary activities includes the following specific revenues and expenses whose disclosure is relevant in explaining the performance of the entity:

Profit on disposal of shares and receivables in associated entity	15,600	-
Loss on closure of a business	(610)	-
	14,990	-

SOUTHERN CROSS BROADCASTING (AUSTRALIA) LIMITED

A.B.N. 86 006 186 974

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS (Continued)

	Consolidated	
	December	December
	2004	2003
	\$000	\$000
NOTE 3 INCOME TAX		
Income tax expense		
The amount of income tax expense as shown in the statement of financial performance differs from the prima facie income tax payable on operating profit. The differences are reconciled as follows:		
Prima facie income tax on operating profit at 30%	17,885	11,107
Tax effect of permanent differences which increase/(decrease) tax expense:		
Non assessable dividend within tax consolidated group		
Non deductible expenditure	1,156	196
Tax losses brought to account	-	(403)
Non assessable gain on disposal of investment	(4,543)	-
Equity share of associate entity's profit	(417)	-
Recognition of deferred tax assets of foreign subsidiaries	(617)	-
Other sundry items	(57)	(13)
	<hr/>	<hr/>
Prima facie tax adjusted for permanent differences	13,407	10,887
Under/(over) provisions - prior years	(2,043)	-
	<hr/>	<hr/>
	11,364	10,887
	<hr/> <hr/>	<hr/> <hr/>

The over provisions - prior years relate to the tax effect of previously un-recouped income tax losses utilised during the period by bringing to account previously unrecognised carried forward tax losses as a result of the revised tax legislation disclosed in Note 9.

NOTE 4 DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES AND CONVERTIBLE PREFERENCE SHARES**Dividends paid during the half-year**

Franked dividends at 30 cents (6 months to 31 December 2003: 27 cents)	<hr/> 19,940 <hr/>	<hr/> 15,878 <hr/>
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Dividends proposed and not recognised as a liability

Franked dividends at 33 cents (at 31 December 2003: 30 cents)	<hr/> 22,562 <hr/>	<hr/> 17,845 <hr/>
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NOTE 5 CONTINGENCIES

A common feature of the broadcasting industry is the occurrence of legal action for defamation. There were no legal actions for defamation outstanding that would individually or in aggregate materially affect the consolidated entity's trading results.

SOUTHERN CROSS BROADCASTING (AUSTRALIA) LIMITED

A.B.N. 86 006 186 974

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS (Continued)

	Consolidated	
	December	December
	2004	2003
	\$000	\$000
NOTE 6 SEGMENT INFORMATION		
Industry Segments		
The consolidated entity's operating companies are organised and managed separately according to the nature of the services they provide within three predominant segments; television broadcasting, radio broadcasting, and film & television production & distribution. The film & television production & distribution segment includes revenue and expenses within the Southern Star Group. The other segment includes revenue and expenses associated with Southern Cross Tricom, an audiotext provider, Telecasters Communications, a broadband network operator, and the parent entity.		
Sales Revenue		
Television	167,902	152,528
Radio	50,686	45,812
Film & television production & distribution	53,346	-
Other	26,152	574
	<u>298,086</u>	<u>198,914</u>
Other Operating Revenue		
Television	3,248	2,974
Radio	659	580
Film & television production & distribution	719	-
Other	2,799	1,149
	<u>7,425</u>	<u>4,703</u>
Total Revenue	<u>305,511</u>	<u>203,617</u>
Results		
Television	41,560	39,433
Radio	9,727	7,752
Film & television production & distribution	1,236	-
Other	(1,054)	(901)
	<u>51,469</u>	<u>46,284</u>
Share of associates' net profit/(loss) equity accounted		
Television	-	-
Radio	6	(5)
Film & television production & distribution	1,389	-
Other	(47)	-
	<u>1,348</u>	<u>(5)</u>
Borrowing costs	(8,192)	(9,255)
Specific items:		
Profit on disposal of shares and receivables in associated entity	15,600	-
Loss on closure of a business	(610)	-
Profit before income tax expense	<u>59,615</u>	37,024
Income tax expense	(11,364)	(10,887)
Net profit	<u>48,251</u>	26,137
Net profit attributable to outside equity interests	(24)	(22)
Net profit attributable to members	<u>48,227</u>	<u>26,115</u>
Depreciation and amortisation		
Television	5,974	5,657
Radio	724	1,018
Film & television production & distribution	2,307	-
Other	1,469	1,442
	<u>10,474</u>	<u>8,117</u>

SOUTHERN CROSS BROADCASTING (AUSTRALIA) LIMITED

A.B.N. 86 006 186 974

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS (Continued)

	Consolidated	
	December	December
	2004	2003
	\$000	\$000
NOTE 6		
SEGMENT INFORMATION (Continued)		
Assets		
Television	632,584	609,300
Radio	199,415	192,410
Film & television production & distribution	167,862	-
Other	59,598	57,876
	<u>1,059,459</u>	<u>859,586</u>
Liabilities		
Television	70,134	61,263
Radio	11,158	8,883
Film & television production & distribution	81,680	-
Other	261,605	281,749
	<u>424,577</u>	<u>351,895</u>
Acquisitions of property, plant and equipment, intangible assets and other non current assets		
Television	11,060	9,059
Radio	5,605	774
Film & television production & distribution	7,109	-
Other	17,965	346
	<u>41,739</u>	<u>10,179</u>
Share of equity accounted investments		
Television	(263)	-
Radio	-	-
Film & television production & distribution	7,573	30
Other	3	-
	<u>7,313</u>	<u>30</u>

NOTE 7 CASH FLOW INFORMATION**Non cash financing and investing opportunities**

During the reporting period the consolidated entity acquired plant, equipment and motor vehicles by means of finance leases with an aggregate fair value of:

486	503
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These acquisitions are not reflected in the statement of cash flows.

Under the terms of the Dividend Reinvestment Plan, \$8,490,000 (6 months to 31 December 2003: \$6,447,000) of dividends were paid via the issue of 700,697 shares (6 months to 31 December 2003: 674,975).

SOUTHERN CROSS BROADCASTING (AUSTRALIA) LIMITED

A.B.N. 86 006 186 974

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS (Continued)

	Consolidated	
	December	December
	2004	2003
	\$000	\$000
NOTE 7 CASH FLOW INFORMATION (Continued)		
Controlled entities acquired		
During the reporting period 60% of the issued capital of Carnival (Films and Theatre) was acquired on 30 November 2004.		
Cash	6,138	-
Accrual for additional costs	290	-
Deferred settlement amounts	2,670	-
	<u>9,098</u>	<u>-</u>
Total consideration	<u>9,098</u>	<u>-</u>
The amounts of assets and liabilities acquired by major class are:		
Cash	9,112	-
Receivables	686	-
Property, plant and equipment	3,959	-
Goodwill	2,827	-
Accounts payable	(3,019)	-
	<u>13,565</u>	<u>-</u>
Less existing investment in associates	<u>(4,467)</u>	<u>-</u>
	<u>9,098</u>	<u>-</u>
Cash consideration	6,138	-
Cash balance acquired	(9,112)	-
	<u>(2,974)</u>	<u>-</u>
(Inflow)/outflow of cash to acquire the entity	<u>(2,974)</u>	<u>-</u>

Included in the accounts of Carnival (Films & Theatre) Limited is the following financing arrangement which has been offset in the consolidated entity's Statement of Financial Position:

Sale and Leaseback Arrangement

During the period 1997 to 2002 Carnival (Films & Theatre) Limited entered into sale and leaseback arrangements in respect of film and television productions. The leases are for a term of 15 years and the last payments fall due in 2016.

Under the terms of the sale and leaseback arrangements, the proceeds of the sale were deposited into restricted use bank accounts which can only be used to pay the finance lease. The capitalised value of the finance lease is always exactly matched by the cash on deposit. Similarly, the related interest income associated with the restricted cash deposits matches the interest expense component of the payments due under the finance lease.

In the Statement of Financial Position, both the cash deposit and finance lease obligation, and the interest revenue and interest expense relating to these arrangements have been offset.

At 31 December 2004, the balance of the finance leases outstanding and the related restricted cash at bank was £14,657,915 (A\$37,488,274) and for the 6 months ending 31 December 2004 the interest income and expense was £161,586 (A\$406,608).

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NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS (Continued)

Consolidated	
December	December
2004	2003
\$000	\$000

NOTE 8 SUBSEQUENT EVENTS**2004**

Subsequent to balance date the consolidated entity sold land and buildings for proceeds of \$9,995,000 resulting in a profit from ordinary activities before income tax of \$7,811,000.

The directors are not aware of any other matter or circumstance not otherwise dealt with in this report or these consolidated financial statements that has significantly or may significantly affect the operations of the economic entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

NOTE 9 ADDITIONAL INFORMATION**Reconciliation of retained profits**

Balance at beginning of the half year	44,795	32,292
Net profit attributable to members	<u>48,227</u>	<u>26,115</u>
Total available for appropriation	<u>93,022</u>	<u>58,407</u>
Dividends paid	<u>(19,940)</u>	<u>(15,878)</u>
Balance at end of half year	<u><u>73,082</u></u>	<u><u>42,529</u></u>

Tax consolidation

Effective 1 July 2003, for the purposes of income tax, the parent company and all of its 100% owned subsidiaries have formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. The head entity of the tax consolidated group is Southern Cross Broadcasting (Australia) Limited and will ultimately be responsible for tax payment obligations. At the date of this report the Australian Taxation Office has not yet been formally notified of the adoption of the tax consolidation regime.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS (Continued)

NOTE 10 INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Australian Accounting Standards Board ("AASB") is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The adoption of Australian equivalents to IFRS will be first reflected in the company's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

The company's AIFRS project team is responsible for managing the transition of its accounting policies and financial reporting from current Australian Standards to Australian equivalents to IFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. To date the project team has analysed most of the Australian equivalents to IFRS and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under AASB 1 First-time Adoption of Australian International Financial Reporting Pronouncements. Some of these choices are still being analysed to determine the most appropriate accounting policy for the company.

As the company has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when the company prepare its first fully AIFRS compliant financial report for the year ending 30 June 2006. Set out below are the key areas where accounting policies will change and may have an impact on the financial report of the company. At this stage the company has not been able to reliably quantify the impacts on the financial report.

These disclosures are our best estimates and have not been subject to an audit as at the date of preparation of this financial report. The disclosures could change due to:

- (a) further work being undertaken by AIFRS project team; and /or
- (b) potential amendments to AIFRS, and interpretations thereof, being issued by the standard setters of IFRIC.

Licence Valuations

Under AASB 138 "Intangible Assets", intangible assets can only be re-valued where there is an active market. There is no active market for broadcasting licences and as such revaluations will not be permitted. As at transition date, any previous revaluations must be reversed. This is likely to have the effect of eliminating the existing asset revaluation reserve of \$33,106,000 with the corresponding revaluation increments reversed against the re-valued amounts of broadcasting licences. Broadcasting licences will be subject to the impairment testing discussed below.

Classification of Financial Instruments

Under AASB 139 Financial Instruments: Recognition and Measurement, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables - measured at amortised cost, held to maturity - measured at amortised cost, held for trading - measured at fair value with fair value changes charged to net profit or loss, available for sale - measured at fair value with fair value changes taken to equity and non-trading liabilities - measured at amortised cost. This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost, with certain derivative financial instruments not recognised on balance sheet. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

Hedge Accounting

Under AASB 139 Financial Instruments: Recognition and Measurement in order to achieve a qualifying hedge, the entity is required to meet the following criteria:

- Identify the type of hedge - fair value or cash flow;
- Identify the hedged item or transaction;
- Identify the nature of the risk being hedged;
- Identify the hedging instrument;
- Demonstrate that the hedge has and will continue to be highly effective; and
- Document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

Where hedge accounting is no longer able to be applied, forward foreign exchange contracts and all gains and losses on the contracts will be recognised in the income statement. Reliable estimation of the future financial effect of this change in accounting policy has not yet been measured.

Goodwill

Under the Australian equivalent to IFRS 3 "Business Combinations" goodwill will be tested for impairment annually and will not be amortised. This will result in a change in the group's current accounting policy which amortises goodwill over its useful life but not exceeding twenty years. Under the new policy, amortisation will no longer be charged, but goodwill will be written down to the extent it is impaired. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

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NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS (Continued)**NOTE 10 INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)****Impairment of Assets**

Under the Australian equivalent to IAS 136 "Impairment of Assets" the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the group's current accounting policy which determines the recoverable amount of an asset on the basis of discounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs will be greater. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Government Grants

Under AASB 120 Accounting for Government Grants and Disclosure of Government Assistance, government grants provided for the acquisition or construction of an asset are recognised using the income approach. Such grants are recognised as deferred revenue and amortised over the over the periods necessary to match them with the related costs they are intended to compensate. The accounting of ABA rebates received and receivable by our regional television stations is still being analysed to determine whether they are essentially general rebates or specific rebates for the acquisition of digital plant and equipment.

Employee Benefits

Under AASB 119 "Employee Benefits", employer sponsors are required to recognise the net surplus or deficit in their employer sponsored defined benefit funds as an asset or liability, respectively. Under the new policy, the company will be required to recognise an asset of the defined benefit fund for the net surplus based on an actuarial calculation of the position of the fund. Based on an actuarial review of the company's defined benefit superannuation fund carried out as of 30 June 2004, the present value of accrued benefits exceeds the fund's assets by \$1,319,000. The initial adjustment on transition will be through retained earnings and subsequent adjustments may be to net profit or loss for the period. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because conditions under which actuarial valuations are assessed are not yet known except to the extent that the investment market has continued to improve subsequent to 30 June 2004.

Share based payments

Under AASB 2 Share based Payments, the company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown.

Income taxes

Under the Australian equivalent to IAS 12 "Income Taxes", the company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. The most significant impact will be the recognition of a deferred tax liability in relation to the asset revaluation reserve. Previously, the capital gains tax effects of asset revaluations were not recognised. It is not expected that there will be any further material impact as a result of adoption of this standard.

Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments, together with note disclosure of prior year effects.