



MEDIA RELEASE

24th AUGUST 2005

Year Ended 30 June	2005	2004	%
	\$000	\$000	change
Sales Revenue	534,935	403,615	+32.5%
EBITDA*	112,157	99,094	+13.2%
Depreciation	16,424	16,765	
EBIT*	95,733	82,329	+16.3%
Net borrowing costs	13,576	17,116	
Profit before Tax*	82,157	65,213	+26.0%
Income Tax	19,889	17,964	
Net profit before goodwill amortisation*	62,268	47,249	+31.8%
Amortisation of goodwill	4,233	987	
Net profit*	58,035	46,262	+25.4%
Specific items	2,070	-	
Interest on CPS	-740	-	
Net profit	59,365	46,262	+28.3%
Final Dividend Per Share	33 cents	30 cents	+10.0%

* EBITDA, EBIT, Profit before Tax, Net Profit before goodwill amortisation and Net Profit are before specific items and interest on Convertible Preference Shares.

The Chairman of Southern Cross Broadcasting (Australia) Limited, Mr John Dahlsen today announced an unaudited net profit, before specific items and interest on convertible preference shares, of \$58,035,000 for the year ended 30 June 2005, up 25.4% from \$46,262,000 for the previous corresponding period.

Mr Dahlsen reported the company had another successful year and the trading result reflected the following relevant factors:

- Trading conditions in electronic media remained strong during the year with market revenue for metropolitan television increasing 8.6%, regional television growing 6.7% and metropolitan radio up 11.3%;
- Channel 9's Adelaide earnings increased substantially on solid market revenue growth and the sales revenue performance from our regional television operations was assisted by an increase in revenue market share resulting from improved ratings. This has offset the increased affiliation fees and the incremental costs associated with digital television transmission;
- Our radio division performed to expectations in a high growth advertising environment for the radio industry;

- Southern Star Group's first full year contribution to group profits was \$10.9 million before tax and goodwill amortisation.
- The current period's results included the following specific items (a net gain of \$2.07 million):
 - a gain of \$15.6 million (\$16.1 million after tax) 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;
 - a net gain of \$6.2 million realised on the sale of the 4BC Brisbane building;
 - a deferred tax expense of \$7.5 million arising from the resetting of the tax depreciable assets tax base upon entering tax consolidation;
 - a provision of \$14.4 million (\$10.1 million after tax) relating to programming costs (refer detail below); and
 - a net loss of \$2.6 million relating to various other items.

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 the financial year."

Mr Dahlsen also said "Directors are pleased with the first full year profit contribution from Southern Star".

DIVIDENDS

Directors have declared a fully franked final dividend of 33 cents per share, up 10% on the 30 cents paid in the previous corresponding period. This brings total dividend for the year to 66 cents per share (previous year 60 cents per share).

Shareholders are reminded that the company's Dividend Reinvestment Plan will operate in respect of the final dividend payable on 14 October 2005. The Plan offers all shareholders the opportunity to take shares at the prevailing market price (the 2.5% discount has been discontinued in respect of this dividend). The last day for lodgement of Notice of Election/Variation is Wednesday, 5 October 2005.

OPERATIONAL ACHIEVEMENTS

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

- Achieving a 25.4% increase in profit to \$58 million, before specific items and interest on CPS, 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 growth;
- Channel 9 Adelaide's performance improved significantly on the previous corresponding year with revenue growth above the market average. 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, 2004 and 2005 to date and has benefited further from the fragmentation of audiences in the highly competitive FM market. Magic 693 in Melbourne has also performed well.
- 96FM has continued to rate well in the 25 to 40 age group. The 96FM/6PR combination achieved revenue growth well above the market average, contributing considerably to earnings growth;
- The 4BC/4BH combination has continued to strengthen our audience delivery and revenue earning opportunities in the Brisbane market. The combination maintained its level of earnings contribution;
- Southern Cross Sales has succeeded in developing a very effective national sales representation service for our radio and television networks; and
- Southern Star contributed \$10.9 million towards group earnings, before tax and goodwill amortisation. Southern Star's trading performance has been consistent with a solid production slate and a growing library of titles for sale internationally. Key productions include Blue Heelers, The Alice, Forensic Investigators, Big Brother, Deal or No Deal, and a number of factual and children's animation, programs. The company increased its ownership in Carnival (Films & Theatre) UK in the first half, which is now yielding operational synergies.

MEDIA LAWS

Mr Bell said that the company is in a strong financial position with satisfactory advertising market conditions for its metropolitan radio and television and regional television stations, a consistent trading performance from Southern Star, an efficient operating structure, a strong balance sheet, market capitalisation of around \$900 million and an attractive debt/equity gearing of around 29%. Southern Cross Broadcasting supports deregulation of cross-media and foreign ownership laws and any changes should provide opportunities for the company.

SPECIFIC ITEM – CHANNEL NINE ADELAIDE PROGRAMMING COSTS PROVISION

Southern Cross Broadcasting has acknowledged that, due to changes in viewing habits, movies and mini series will, in future, have less prominence within the free-to-air viewing line-up and are, in general, likely to be repeated less often than in the past.

Based on information on future programming provided by the Nine Network, the realisable value of the broadcast rights for each movie and each mini series within Channel Nine Adelaide's program inventory has been assessed, together with the future recoverability of existing "output" contracts, resulting in a one-time provision of \$12.4 million.

Channel Nine Adelaide has historically adopted an amortisation approach for movies that results in a proportion of the cost being amortised over a number of years on a straight line basis. The amortisation approach for movies and other product varies across the industry.

As part of the assessment of the realisable value of its movie inventory, the company has re-assessed the amortisation profile for movies and has chosen to adopt an amortisation profile that is significantly more weighted towards the first screening. A material proportion of the \$12.4 million provision comes as a direct result of the implementation of the revised amortisation approach.

The provision in relation to movies and mini series will reduce the operating costs of Channel Nine Adelaide over the next 5-6 years as it will reduce future amortisation of program inventory.

The company has also assessed the recoverability of the Commonwealth Games rights cost, and taken a \$2.0m provision. This provision will, accordingly, have a positive impact on the company's 2005/06 result.

The total provision relating to programming is \$14.4 million (before tax).

SUBSEQUENT EVENTS

Subsequent to balance date, we have completed the acquisition of Satellite Music Australia at a cash consideration of \$10.6 million. The acquisition is expected to be marginally earnings per share enhancing.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Over the last twelve months, we have comprehensively conducted impact assessments and quantification of the actual effects of transitioning to Australian equivalents of International Financial Reporting Standards (“AIFRS”) with the objective of establishing the basis for the preparation of our first fully AIFRS compliant financial report for the half year ending 31 December 2005. While the actual effects of transition to AIFRS may differ from management’s best estimate of the quantitative impact of the changes identified to date, we believe the changes should benefit the AIFRS compliant 2006 fiscal year income statement. Material changes that are positive include the cessation of goodwill periodic amortisation and the matching of government digital television licence fee rebates. These are partly offset by the requirement to expense executive share based payments.

FUTURE OUTLOOK

While acknowledging that trading conditions are more difficult to predict than 12 months ago, Mr Bell said that the company’s broadcasting division will continue to focus on increased audience and revenue share and should over the current financial year comfortably cover higher costs associated with the phasing in of digital television services. We have already borne the full step up of affiliation fees. At the same time, the company will continue to investigate opportunities to expand in appropriate areas that will enhance its existing media and television program production and distribution interests.

Mr Bell also acknowledged the contribution of Neil Balnaves, who retires from his current role of Executive Chairman of Southern Star on 15 September 2005. Neil will remain a Director of Southern Cross Broadcasting and a consultant to Southern Star.

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 South Australia
Southern Cross Ten South Australia
Southern Cross Central
Southern Cross Darwin
50% interest in Tasmanian 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 Sales
Southern Cross Syndication
Southern Cross Telecommunications
Satellite Music Australia

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) Ltd
ABN 86 006 186 974

Appendix 4E

Preliminary final report For the year ended 30 June 2005

This Preliminary Final Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3

Current Reporting Period: Financial Year ended 30 June 2005
Previous Reporting Period: Financial Year ended 30 June 2004

Results for announcement to the market

Revenue and Net Profit/(Loss)	<u>Percentage increase/(decrease)</u>		<u>Current period \$A'000</u>
Revenue from ordinary activities	41%	to	586,535
Profit from ordinary activities after tax attributable to members	28%	to	59,331
Net profit attributable to members	28%	to	59,331

Dividends (Distributions)	<u>Amount per security</u>	<u>Franked amount per security</u>
Final Dividend	33 cents	33 cents
Previous corresponding period	30 cents	30 cents
Record date for determining entitlements to the dividend (distribution)	<input type="text" value="5 October 2005"/>	
Date the dividend (distribution) is payable	<input type="text" value="14 October 2005"/>	

Brief explanation of Revenue, Net Profit and Dividends (Distributions)
Refer Media Release

Net Tangible Assets per Security		Previous corresponding period
	Current period	<u> </u>
Net tangible asset backing per ordinary security	9.22	8.98

Details of entities which control has been gained or lost	
Control gained over entities	
Name of entity	Carnival (Films and Theatre) Limited
Date control gained	30 November 2004
	Current period \$A'000
Contribution of the controlled entity to profit from ordinary activities before income tax benefit and goodwill amortisation during the period, from the date of gaining control.	<u>3,395</u>
Loss of control over entities	
There has been no loss of control of entities in the current reporting period or previous corresponding period.	

Details relating to Dividends (Distributions)				
		Date dividend payable	Amount per security	Amount per security of foreign sourced dividend
Final Dividend	2005	14/10/05	33 cents	-
	2004	24/10/04	30 cents	-
Interim Dividend	2005	18/03/05	33 cents	-
	2004	19/03/04	30 cents	-
Total	2005		66 cents	
	2004		60 cents	-
Total dividend (distribution) per security (interim plus final)				
			Current period	Previous corresponding period
Ordinary shares:				
: Fully paid			66 cents	60 cents
: Paid up to 2.5 cents			-	-
: Paid up to 1 cent			-	-
Convertible preference shares			66 cents	-
Other equity instruments			-	-
			Current period	Previous corresponding period
Interim and final dividend (distribution) on all securities			\$A'000	\$A'000
(a) Dividends paid during the year				
(i) Current year interim - 33 cents per share fully franked (2004 - 30 cents per share fully franked)			22,184	17,844
(ii) Previous year final - 30 cents per share fully franked (2003 - 27 cents per share fully franked)			19,939	15,878
			<u>42,123</u>	<u>33,722</u>
(b) Dividends proposed and not recognised as a liability - 33 cents per share fully franked (2004 - 30 cents per share fully franked)			<u>22,731</u>	<u>20,180</u>
Any other disclosures in relation to dividends (distributions)				
The final dividend payable on 14 October 2005, will be fully franked at 30%. The interim dividend for 2005 and both the interim and final dividend for 2004 were all fully franked to 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. There is no discount on the prevailing market price under the plan in respect of the final dividend. The final dividend has not been provided for in the accounts in accordance with accounting standard AASB 1044.				
Last date(s) for receipt of election notices for the dividend plan:			5 October 2005	

Movement in Retained Earnings

	2005 \$A'000	2004 \$A'000
Balance at Beginning of the Year	44,795	32,292
Net profit attributable to members	59,331	46,225
Total available for appropriation	104,126	78,517
Less dividends provided for or paid	(42,123)	(33,722)
Balance at end of Year	62,003	44,795

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	
	June 2005	June 2004	June 2005	June 2004
	%	%	\$'000	\$'000
Associates				
Digital Distribution Australia Pty Ltd	-	30.50	(10)	-
Homebush Transmitters Pty Ltd	50.00	50.00	20	(23)
Gold Coast Translators Pty Ltd	25.00	25.00	17	-
Regional TAM Pty Ltd	35.71	35.71	1	1
Tasmanian Digital Television Pty Ltd	50.00	50.00	-	(22)
Perth FM Facilities Pty Ltd	33.00	33.00	(8)	-
Carnival (Films & Theatre) Ltd *	-	40.00	(37)	42
Southern Star Endemol Pty Ltd	49.00	49.00	5,161	2,747
Photolibrary Pty Ltd (formerly Oculogic Pty Ltd)	46.60	46.60	(518)	(78)
Southern Star Golden Globe Pty Ltd	50.00	50.00	(252)	(84)

* On 30 November 2004, Carnival (Films & Theatre) Ltd became a wholly owned controlled entity.

Basis of accounts preparation

The financial statements in this report are prepared in accordance with the ASX Listing Rules, the Australian Accounting Standards and the Corporations Regulations 2001.

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

None.

Signed here:



Edward Chia
Company Secretary

Date:

24 August 2005

**SOUTHERN CROSS BROADCASTING (AUSTRALIA) LIMITED
AND CONTROLLED ENTITIES
A.C.N. 006 186 974**

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005**

	Note	Consolidated	
		2005 \$'000	2004 \$'000
Sales revenue		534,935	403,615
Interest revenue		1,250	551
Other revenue		50,350	11,626
REVENUE FROM ORDINARY ACTIVITIES	1	586,535	415,792
Programming and transmission expenses		(227,807)	(194,317)
Film & television, production & distribution expenses		(90,772)	(14,921)
Administration expenses	1	(89,470)	(49,552)
Sales and marketing expenses		(84,452)	(77,492)
Borrowing costs	1	(15,566)	(17,667)
Share of net profit/(loss) of associate entities accounted for using the equity method		4,374	2,383
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		82,842	64,226
Income tax expense relating to ordinary activities	2	(23,477)	(17,964)
NET PROFIT		59,365	46,262
Net profit attributable to outside equity interests		(34)	(37)
Net profit attributable to members		59,331	46,225
Net exchange difference on translation of financial statements of controlled foreign entities		(5,452)	4,342
Total revenue, expense and valuation adjustments attributable to members of the parent entity and recognised directly in equity		(5,452)	4,342
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		53,879	50,567
Basic earnings per share (cents per share)	3	97.08	77.86
Diluted earnings per share (cents per share)	3	86.33	75.66
Franked dividends (paid and proposed) per share (cents per share)		66.00	60.00

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

**SOUTHERN CROSS BROADCASTING (AUSTRALIA) LIMITED
AND CONTROLLED ENTITIES
A.C.N. 006 186 974**

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2005**

	Note	Consolidated	
		2005 \$'000	2004 \$'000
Current assets			
Cash assets	5	40,258	9,229
Receivables		145,645	133,382
Inventories		12,560	20,486
Other		9,909	7,365
Total current assets		208,372	170,462
Non current assets			
Receivables		4,552	20,930
Inventories		18,387	24,212
Investments accounted for using the equity method		6,054	12,018
Other financial assets		2,935	2,935
Property, plant and equipment		157,077	128,987
Deferred tax assets		8,374	5,501
Television and radio licences		602,672	602,672
Intangible assets		57,735	59,008
Other		5,092	7,092
Total non current assets		862,878	863,355
Total assets		1,071,250	1,033,817
Current liabilities			
Payables		136,426	111,027
Interest bearing liabilities		3,344	4,287
Current tax liabilities		5,456	7,085
Provisions		13,903	12,163
Total current liabilities		159,129	134,562
Non current liabilities			
Payables		8,445	22,289
Interest bearing liabilities		231,704	247,890
Interest bearing liabilities - convertible preference shares		15,054	15,751
Deferred tax liabilities		20,139	12,061
Provisions		7,016	2,669
Total non current liabilities		282,358	300,660
Total liabilities		441,487	435,222
Net assets		629,763	598,595
Equity			
Contributed equity		535,524	516,146
Reserves		31,996	37,448
Retained profits		62,003	44,795
Total parent entity interest in equity		629,523	598,389
Total outside equity interest		240	206
Total equity		629,763	598,595

The accompanying notes form an integral part of this Statement of Financial Position.

**SOUTHERN CROSS BROADCASTING (AUSTRALIA) LIMITED
AND CONTROLLED ENTITIES
A.C.N. 006 186 974**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005**

	Note	Consolidated	
		2005 \$'000	2004 \$'000
Cash flows from operating activities			
Receipts from customers		640,816	429,115
Payments to suppliers and employees		(533,021)	(338,068)
Dividends received		4,460	-
Interest received		1,250	562
Borrowing costs paid		(14,278)	(18,118)
Income tax paid		(20,575)	(12,456)
Net cash flows from operating activities	5	<u>78,652</u>	<u>61,035</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(42,733)	(27,227)
Purchase of controlled entities, net of cash acquired	5	2,974	39,859
Disposal of controlled entity	5	-	(268)
Dividends paid on acquisition of controlled entities		-	(9,999)
Proceeds from sale of property, plant and equipment		11,659	686
Proceeds from sale of investments		25,500	-
Payments for investments		-	(4,466)
Loan advanced to associated company		(2,161)	-
Loan repayments received		1,997	250
Net cash flows used in investing activities		<u>(2,764)</u>	<u>(1,165)</u>
Cash flows from financing activities			
Proceeds from issues of shares		3,411	745
Repayment of finance lease principal		(844)	(887)
Dividends paid		(27,559)	(20,580)
Proceeds from borrowings		37,000	23,000
Repayment of borrowings		(55,000)	(55,000)
Net cash flows used in financing activities		<u>(42,992)</u>	<u>(52,722)</u>
Net increase/(decrease) in cash held		32,896	7,148
Add opening cash brought forward		8,454	(184)
Effects of exchange rate changes on cash		(1,092)	1,490
Closing cash carried forward	5	<u>40,258</u>	<u>8,454</u>

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

NOTES TO THE FINANCIAL STATEMENTS

	Note	Consolidated	
		2005 \$'000	2004 \$'000
Note 1 Profit and Loss Items			
Profit from ordinary activities after crediting the following revenues:			
Sales revenue			
Television		316,928	294,715
Radio		97,444	91,397
Film & television production & distribution		118,326	16,383
Other		2,237	1,120
Interest received from:			
Other persons		1,250	551
Proceeds from sale of investments	(d)	25,500	-
Proceeds from sale of controlled entity		-	2,774
Proceeds from sale of property, plant and equipment	(d)	11,659	686
Net foreign exchange gains		560	59
Other		12,631	8,107
		<u>586,535</u>	<u>415,792</u>
Profit on sale of property, plant and equipment		495	60
Profit on sale of controlled entity		-	1,159
Profit from ordinary activities after charging the following expenses:			
(a) Depreciation and amortisation			
Amortisation of leased assets		784	772
Amortisation of goodwill		4,233	987
Depreciation of property, plant and equipment		15,640	15,993
(b) Other expense items			
Bad debts written off and provision for doubtful debts		1,057	169
Provision for employee benefits		4,500	3,655
Operating lease rentals		8,514	7,064
Loss on sale of property, plant & equipment		243	-
(c) Borrowing costs			
Interest paid or payable to other persons		14,294	16,804
Interest on convertible preference shares - debt component		740	-
Amortisation of loan facility fees		378	666
Finance lease interest charges		154	197
		<u>15,566</u>	<u>17,667</u>
(d) Specific items			
Profit from ordinary activities includes the following specific revenues and expenses whose disclosure is relevant in explaining the performance of the entity:			
Proceeds from sale of investment and property		35,976	-
Carrying amounts of investment and property sold		(12,696)	-
Provisions for write-down of inventories and onerous contracts		(14,428)	-
Redundancies and rationalisation		(843)	-
Write-off of capitalised investment costs		(1,205)	-
Loss on closure of a business		(610)	-
Provision for non-recovery of receivable from associate		(537)	-
		<u>5,657</u>	-
The carrying amounts of investment and property sold have been included in administration expenses in the Statement of Financial Performance.			
(e) Auditor's remuneration			
Total remuneration received or due and receivable by:			
Ernst & Young			
Audit		509	360
Taxation services		216	143
Due diligence in relation to acquisition of the Southern Star Group (assurance related)		-	241
Other		51	54

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated	
	2005 \$'000	2004 \$'000
Note		
Note 2 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%	24,853	19,268
Tax effect of permanent differences which increase/ (reduce) tax expense :		
Non deductible expenditure	678	476
Tax losses brought to account	(2,614)	(658)
Net non taxable components of specific items	(5,595)	-
Equity accounted share of associates' profits	(1,162)	(715)
Other sundry items	245	(43)
Prima facie tax adjusted for permanent differences	16,405	18,328
Under/(over) provisions - prior years	(413)	(364)
Specific tax item:		
Reduction of tax depreciable basis of property, plant and equipment upon entering the tax consolidation regime	7,485	-
Income tax attributable to operating profit	<u>23,477</u>	<u>17,964</u>

Benefit of income tax losses not brought to account

As at 30 June 2005 there are unutilised tax losses (both booked and unbooked) of \$13,139,000 (2004: 25,877,000). During the year \$8,193,000 of the losses unrecovered at 30 June 2004 were cancelled upon entering the tax consolidation system. Those losses recognised as future income tax benefits at 30 June 2005 are those for which realisation is virtually certain. Realisation of the benefits of such losses is considered virtually certain when:

- the tax consolidated group is expected to derive future assessable income of a nature and of an amount sufficient to enable the benefits from the deductions for the losses to be realised in the foreseeable future;
- the tax consolidated group will continue to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation are expected which would adversely affect the tax consolidated group in realising the benefit from the deductions for the losses.

Tax Consolidation

Effective 1 July 2003 the parent company and all of its 100% owned subsidiaries have formed a tax consolidated group for income tax purposes. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense and income tax liabilities to the wholly-owned subsidiaries on a pro-rata basis. The head entity of the tax consolidated group, Southern Cross Broadcasting (Australia) Limited, will ultimately be responsible for all income tax payment obligations. The Australian Taxation Office was formally notified of the adoption of the tax consolidation system on 15 May 2005.

As a result of the application of and elections made under the tax consolidation legislation the consolidated entity has reset the tax values of depreciable assets, reducing them by \$24,952,000. Consistent with the requirements of UIG Abstract 52 - Income Tax Accounting Under the Tax Consolidations System a provision for deferred income tax has been recognised in relation to this adjustment.

Also as a result of the application of and elections made under the tax consolidation legislation the consolidated entity has reset the capital gains tax cost bases of some assets, recording an increase in radio and television license cost bases of \$513,549,000, and a decrease in land and buildings costs bases of \$2,962,000. No tax effect has been recognised in respect of these adjustment as their realisation is not virtually certain.

NOTES TO THE FINANCIAL STATEMENTS

	Note	Consolidated	
		2005 \$'000	2004 \$'000
Note 3 Earnings Per Share			
		Cents	Cents
Basic earnings per share		97.08	77.86
Diluted earnings per share		86.33	75.66
Earnings used in calculating basic and dilutive earnings per share		<u>59,365,000</u>	<u>46,262,000</u>
The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share		61,146,586	59,416,668
Effect of dilutive securities:			
Options		546,044	110,824
Partly paid shares		25,345	-
Convertible preference shares		7,046,795	1,620,606
The weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share		<u>68,764,769</u>	<u>61,148,098</u>

At 30 June 2005 there were 234,000 potential ordinary shares on issue which were not dilutive (2004: 1,292,300). Since the end of the financial year, there has not been an exercise of options, nor a call on partly paid ordinary shares.

Note 4 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 attributable to the Southern Star Group. The "Other" segment includes revenue and expenses associated with Southern Cross Telecommunications (a broadband network operator) and the parent entity.

Segment accounting policies are the same as the consolidated entity's policies. During the financial year, there were no changes in segment accounting policies that had a material effect on the segment information.

	Note	Consolidated	
		2005 \$'000	2004 \$'000
Sales revenue			
Television		316,928	294,715
Radio		97,444	91,397
Film & television production & distribution		118,326	16,383
Other		2,237	1,120
		<u>534,935</u>	<u>403,615</u>
Other operating revenue			
Television		7,170	5,667
Radio		1,215	1,257
Film & television production & distribution		2,302	515
Other		40,913	4,738
		<u>51,600</u>	<u>12,177</u>
Total revenue		<u>586,535</u>	<u>415,792</u>
Results			
Television	(i)	55,220	69,925
Radio		15,410	13,482
Film & television production & distribution		2,865	(1,336)
Other	(ii)	20,539	(2,561)
		<u>94,034</u>	<u>79,510</u>
Share of associates' net profit / (loss) equity accounted			
Television		8	(221)
Radio		12	(23)
Film & television production & distribution		4,354	2,627
		<u>4,374</u>	<u>2,383</u>
Borrowing costs			
		<u>(15,566)</u>	<u>(17,667)</u>
Profit before income tax expense		82,842	64,226
Income tax expense		(23,477)	(17,964)
Net profit		59,365	46,262
Net profit attributable to outside equity interests		(34)	(37)
Net profit attributable to members		<u>59,331</u>	<u>46,225</u>

- (i) The result of the Television Segment is \$71,028,000 before specific items.
(ii) The result of the Other Segment is a loss of \$926,000 before specific items.

NOTES TO THE FINANCIAL STATEMENTS

	Note	Consolidated	
		2005 \$'000	2004 \$'000
Note 4 Segment Information (continued)			
Depreciation and amortisation			
Television		11,590	12,021
Radio		1,391	1,810
Film & television production & distribution		4,844	908
Other		2,832	3,013
		<u>20,657</u>	<u>17,752</u>
Assets			
Television		624,586	624,039
Radio		199,783	192,588
Film & television production & distribution		184,419	157,680
Other		62,462	59,510
		<u>1,071,250</u>	<u>1,033,817</u>
Liabilities			
Television		70,243	78,600
Radio		8,645	12,669
Film & television production & distribution		89,730	76,759
Other		272,869	267,194
		<u>441,487</u>	<u>435,222</u>
Acquisitions of property, plant and equipment, intangible assets and other non current assets			
Television		16,762	25,468
Radio		6,077	1,421
Film & television production & distribution		7,526	80,898
Other		20,809	1,200
		<u>51,174</u>	<u>108,987</u>
Share of equity accounted investments			
Television		44	-
Radio		(11)	-
Film & television production & distribution		6,021	11,982
Other		-	36
		<u>6,054</u>	<u>12,018</u>

Other Segment's other operating revenue and result are net of eliminations of inter-company transactions of \$64,500,000 (2004: \$89,100,000). Other Segment's liabilities includes borrowings. Acquisitions of property, plant and equipment, intangible assets and other non current assets include those acquired through entities acquired.

Geographic Segments

Sales revenue			
Australia		452,666	397,144
United Kingdom		82,269	6,471
		<u>534,935</u>	<u>403,615</u>
Other operating revenue			
Australia		50,880	11,926
United Kingdom		720	251
		<u>51,600</u>	<u>12,177</u>
Total revenue		<u>586,535</u>	<u>415,792</u>

NOTES TO THE FINANCIAL STATEMENTS

	Note	Consolidated	
		2005 \$'000	2004 \$'000
Note 4 Segment Information (continued)			
Results			
Australia		86,971	78,529
United Kingdom		7,063	981
		<u>94,034</u>	<u>79,510</u>
Share of associates' net profit / (loss) equity accounted			
Australia		4,411	2,383
United Kingdom		(37)	-
		<u>4,374</u>	<u>2,383</u>
Borrowing costs		(15,566)	(17,667)
Profit before income tax expense		82,842	64,226
Income tax expense		(23,477)	(17,964)
Net profit		59,365	46,262
Net profit attributable to outside equity interests		(34)	(37)
Net profit attributable to members		<u>59,331</u>	<u>46,225</u>
Depreciation and amortisation			
Australia		19,752	17,582
United Kingdom		905	170
		<u>20,657</u>	<u>17,752</u>
Assets			
Australia		964,932	952,776
United Kingdom		106,318	81,041
		<u>1,071,250</u>	<u>1,033,817</u>
Liabilities			
Australia		392,149	396,386
United Kingdom		49,338	38,836
		<u>441,487</u>	<u>435,222</u>
Acquisitions of property, plant and equipment, intangible assets and other non current assets			
Australia		44,059	100,135
United Kingdom		7,115	8,762
		<u>51,174</u>	<u>108,897</u>
Share of equity accounted investments			
Australia		6,054	12,018
United Kingdom		-	-
		<u>6,054</u>	<u>12,018</u>

NOTES TO THE FINANCIAL STATEMENTS

Note	Consolidated	
	2005 \$'000	2004 \$'000

Note 5 Cash Flow Information

Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash on hand and at bank	40,258	9,229
Bank overdraft	-	(775)
	<u>40,258</u>	<u>8,454</u>

Reconciliation of net cash flow from operating activities to operating profit after income tax

Operating profit after income tax	59,365	46,262
Add/(Less):		
Depreciation and amortisation	20,657	17,752
Taxation provisions	3,576	5,919
Specific items	(5,657)	-
Other non cash adjustments	698	(1,220)
Net change in assets and liabilities :		
Receivables	(7,280)	(2,693)
Inventories	3,938	(9,589)
Prepayments	(2,814)	488
Accounts payable	8,535	(828)
Other assets	(2,366)	4,944
	<u>78,652</u>	<u>61,035</u>

Non cash financing and investing activities

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

	<u>1,164</u>	<u>914</u>
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These acquisitions are not reflected in the statement of cash flows.

Under the terms of the Dividend Reinvestment Plan, \$15,305,000 (2004: \$13,141,000) of dividends were paid via the issue of 1,213,000 shares (2004: 1,300,000).

NOTES TO THE FINANCIAL STATEMENTS

Note 5 Cash Flow Information (continued)

Controlled entities acquired

The following controlled entities were acquired :

2005

An additional 60% of Carnival (Films and Theatre) Limited was acquired, bringing the economic entity's interest to 100% as of 30 November 2004

2004

100% of the Southern Star Group Limited and its controlled entities on 15 April 2004.

	Note	Consolidated	
		2005 \$'000	2004 \$'000
Cash		6,138	1,011
Accrual for additional costs		290	297
Issue of convertible preference shares - equity		-	77,611
Issue of convertible preference shares - debt		-	15,751
Deferred settlement amounts		2,670	-
Total consideration		<u>9,098</u>	<u>94,670</u>
The amounts of assets and liabilities acquired by major class are :			
Cash		9,112	40,870
Receivables		686	57,717
Inventories		-	7,496
Property, plant and equipment		3,959	1,031
Other financial assets		-	6,793
Goodwill		2,827	58,589
Other assets		-	14,485
Accounts payable		(3,019)	(63,967)
Borrowings		-	(7,798)
Provisions		-	(20,546)
		<u>13,565</u>	<u>94,670</u>
Less existing investment		<u>(4,467)</u>	<u>-</u>
		<u>9,098</u>	<u>94,670</u>
Net cash effect of acquisitions:			
Cash consideration		6,138	1,011
Cash balance acquired		(9,112)	(40,870)
(Inflow)/Outflow of cash to acquire the entities		<u>(2,974)</u>	<u>(39,859)</u>

Included in the financial statements of Carnival (Films and Theatre) Limited is the following arrangement which has been offset in the consolidated 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 30 June 2005, the balance of the finance leases outstanding and the related restricted cash at bank was £13,969,000 (A\$33,291,000) and for the year ending 30 June 2005 the interest income and expense was £482,000 (A\$1,191,000).

NOTES TO THE FINANCIAL STATEMENTS

Note 5 Cash Flow Information (continued)

Controlled entity disposed

The following controlled entity was disposed:

2005

None.

2004

The net assets of Oxford Scientific Films with an aggregate fair value of \$1,547,000 were sold in exchange for shares in Oculogic Pty Ltd which had a fair value of \$2,774,000.

	Note	Consolidated	
		2005 \$'000	2004 \$'000
Shares acquired		-	2,774
Legal costs incurred		-	(68)
Total consideration		-	<u>2,706</u>
The carrying amounts of assets and liabilities disposed of, by major class, are :			
Cash		-	268
Receivables		-	549
Property, plant and equipment		-	212
Other financial assets		-	66
Other assets		-	947
Payables		-	(495)
		-	<u>1,547</u>
Profit on disposal		-	<u>1,159</u>
Net cash effect of disposals:			
Cash balance disposed		-	(268)
Cash proceeds on disposal of controlled entity as reflected in the consolidated statement of cash flows		-	<u>(268)</u>
Financing facilities			
Entities in the consolidated entity have access to credit standby arrangements:			
Unsecured bank overdraft facility		2,500	2,500
Secured syndicated debenture subscription acceptance facilities		<u>250,000</u>	<u>280,000</u>
		252,500	282,500
Amounts drawn down		<u>182,742</u>	<u>232,546</u>
Amount of credit unused		<u>69,758</u>	<u>49,954</u>

The \$2,500,000 bank overdraft facility is subject to annual review and subject to cancellation at either party's election at each review date. The syndicated debenture subscription facilities are repayable at \$15,000,000 on 31 December and 30 June each year until maturity. The syndicated debenture subscription facilities are subject to review and renegotiation in March 2007.

NOTES TO THE FINANCIAL STATEMENTS

Note 6 Subsequent Events

On 1 July 2005 the economic entity acquired a 100% interest in Satellite Music Australia Pty Ltd and its related entity Satellite Marketing Australia Pty Ltd, a supplier of subscription music, for a total consideration of \$10,600,000.

The directors are not aware of any other matter or circumstance not otherwise dealt with in this report or 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 7 Impact of adopting Australian equivalents to International Financial Reporting Standards

Southern Cross Broadcasting (Australia) Limited ("Southern Cross") is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards ("AGAAP") to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ending 30 June 2006. In 2004, the company allocated internal resources and engaged external consultants to conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. As a result, Southern Cross established project teams to address each of the areas in order of priority. An AIFRS steering committee was established to oversee the progress of each of the project teams and make necessary decisions. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, Southern Cross' transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when Southern Cross prepares its first fully AIFRS compliant financial report for the year ending 30 June 2006. Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to:

- (a) certain effects that cannot be reliably quantified at this date;
- (b) ongoing work being undertaken by the AIFRS project teams;
- (c) potential amendments to AIFRSs and Interpretations thereof being issued by the standard-setters and IFRIC; and
- (d) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

(a) Financial impact on equity in transitioning to AIFRS

	Note	Consolidated	
		2005 \$'000	2004 \$'000
Adjustments to retained earnings (net of tax):			
Deferral of government grants	(i)	(372)	(16,877)
Recognition of share-based payment expense	(ii)	(629)	-
Uplift of equity accounted profit	(iii)	34	63
Adjustments to other reserves (net of tax):			
Write off of increments of television and radio licences revaluation	(iv)	-	(28,681)
Reset Foreign Currency Translation Reserve	(v)	-	(4,342)

Notes:

(i) Under AASB 120 "Accounting for Government Grants and Disclosure of Government Assistance", the Group would recognise the digital television licence fee rebates in the Statement of Financial Position as deferred income and match them over the period with related costs of digital television conversion and roll-out which they are intended to compensate on a systematic basis. The Group's current policy recognises the licence fee rebates on a "receipt and entitlement" basis as an offset against licence fees payable in the year of rebate entitlements. To transition to AIFRS, management has estimated that the total licence fee rebates received and recognised to 1 July 2004 of \$24,110,000 would be deferred. Compared with the Group's current policy, the deferral of licence fee rebates under AIFRS would result in pre-tax profit increases/(decreases) in subsequent financial years as follows:

	Consolidated \$'000
2005	(531)
2006	2,355
2007	4,196
2008	10,919
2009	9,378
2010	(916)
2011	(782)
2012	(509)

(ii) Under AASB 2 Share based Payments, the company would recognise the fair value of options granted to employees as remuneration as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share-based payment costs are not recognised under AGAAP. The Group has elected to apply the requirements of AASB 2 only to options granted after 7 November 2002 that vest after 1 January 2005.

NOTES TO THE FINANCIAL STATEMENTS

Note 7 Impact of adopting Australian equivalents to International Financial Reporting Standards (continued)

(iii) Under AASB 128 "Investments in Associates", the company would be required to align its equity accounted results and carrying amounts to reflect the Associates' AIFRS compliant financial statements.

(iv) Under AASB 138 "Intangible Assets", intangible assets can only be revalued where there is an active market. The Group considers there is no active market for broadcasting licences and has reversed all previous net increments on licence revaluation. Under AASB 136 "Impairment of Assets", the recoverable amount of an asset is determined as the higher of its net selling price and value in use. The group's current accounting policy is to determine the recoverable amount of an asset on the basis of discounted cash flows. The Group's broadcasting licences were tested for impairment on transition and each subsequent reporting date as part of the cash generating unit to which they belong. The Group considers the recoverable amount of cash generating units of television and radio licences are comfortably above their carrying amounts (at cost) having regard to independent valuations in accordance with AASB 136 requirements performed by Mr. Bob Peters MAS, M.Ec., B.S. of Global Media Analysis as at 30 June 2004 and 2005.

(v) Under AASB 121 "The Effects of Changes in Foreign Exchange Rates", exchange differences arising from the translation of any net investment in foreign entities are taken directly to the foreign exchange translation reserve on consolidation. When a foreign entity is sold, a proportionate share of the foreign currency translation reserve is recognised in the income statement as part of the gain or loss on sale. The Group has elected to apply the exemption under AASB 1 to reset the foreign currency translation reserve to zero as at 30 June 2004.

(b) Financial impact on net profit in transitioning to AIFRS

	Note	Consolidated 2005 \$'000
Amortisation of goodwill	(i)	4,233
Deferral of government grants	(ii)	(372)
Recognition of share-based payment expense	(iii)	(629)
Uplift of equity accounted profit	(iv)	34

(i) Under AASB 3 Business Combinations goodwill is not permitted to be amortised but instead is subject to annual impairment testing. Currently, the group amortises goodwill over its useful life but not exceeding 15 years. Under the new policy, amortisation would no longer be charged, but goodwill would be written down to the extent it is impaired.

(ii) Refer Note a (i) above.

(iii) Refer Note a (ii) above.

(iv) Refer Note a (iii) above.

(c) Financial impact on AIFRS Statement of Cash Flows for the year ended 30 June 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

(d) Other financial impact in transitioning to AIFRS

(i) Under AASB 119 "Employee Benefits", the Group would recognise the net surplus or deficiency in its employer sponsored defined benefit funds as an asset or liability respectively. This would result in a change in the group's current accounting policy which has not recognised any net surplus or deficiency other than adopting the contribution rates as recommended by the fund's actuary. The Group has elected to recognise actuarial gains and losses through retained earnings. However, company's contributions and other plan expenses will be recognised in the income statement. At this stage, the Group will finalise the financial impact of transitioning to AASB 119 upon receipt and review of the actuarial calculations from the Fund Actuary.

(ii) AASB 112 Income Taxes requires the Group to use a balance sheet liability method, rather than the current income statement method which recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. Under AGAAP, the tax effects of asset revaluations and non tax depreciable assets are not recognised, whereas under AIFRS, a deferred tax liability would be recognised in respect of those assets. At this stage the Group has not been able to reliably quantify the financial impact of transitioning to AASB 112.

(iii) The Group has applied the exemption provided in AASB 1 First-time Adoption of AIFRS which permits entities not to apply the requirements of AASB 132 Financial Instruments: Presentation and Disclosures and AASB 139 Financial Instruments: Recognition and Measurement for the financial year ended 30 June 2005. The standards will be applied from 1 July 2005. Management is in the process of determining the impact that adopting the standards would have on the financial statements of the Group. It is anticipated that the application of AASB 139 on the investment in a listed company and the hedging accounting of interest rate swap agreements will only affect equity and not the income statement but the application of AASB 132 on the recognition of the Convertible Preference Shares (CPS) will have an impact on the income statement to the extent of reclassifying dividends paid to CPS holders as interest and reclassification of CPS to liability. Further, the application of AASB 139 will require the Group to measure long term receivables and related royalty components from the sale and licensing of programs and program copyrights at amortised costs using the effective interest rate method.