



## MEDIA RELEASE 8<sup>th</sup> September 2006

### SOUTHERN CROSS BROADCASTING DELIVERS A NORMALISED NET PROFIT OF \$57.4M, DOWN 6% AND ANNOUNCES SHARE BUYBACK

Year Ended 30 June	2006 \$m	2005 \$m	
<b>Sales Revenue</b>	<b>543.9</b>	<b>534.9</b>	<b>+ 1.7%</b>
<b>EBITDA*</b>	<b>110.5</b>	<b>111.2</b>	<b>- 0.6%</b>
<b>EBIT*</b>	<b>92.8</b>	<b>94.6</b>	<b>- 1.9%</b>
<b>Profit before tax*</b>	<b>80.6</b>	<b>81.0</b>	<b>- 0.5%</b>
<b>Normalised Net profit*</b>	<b>57.4</b>	<b>61.0</b>	<b>- 6.0%</b>
Non-recurring Items:			
Significant items	(2.6)	4.4	
Interest on CPS	(4.6)	(0.7)	
<b>Reported Net profit</b>	<b>50.2</b>	<b>64.6</b>	<b>- 22.3%</b>
<b>Final Dividend Per Share</b>	<b>34 ¢</b>	<b>33 ¢</b>	<b>+ 3.0%</b>

\* Before Significant Items & Interest on Convertible Preference Shares (CPS)

Numbers in above table may not add due to rounding. Percentages have been calculated on the actual figures, not the rounded figures above

Southern Cross Broadcasting (Australia) Limited today announced an unaudited, normalised net profit after tax of \$57.4m for the year ended 30 June 2006, a decline of 6.0%. EBIT declined 1.9% and EBITDA declined by 0.6%. After deducting non-recurring items, the reported net profit after tax was \$50.2m, a decline of 22.3%.

The non-recurring items were:

- Significant items of \$2.6m after tax including:
  - sixty staff redundancies;
  - costs associated with the 3AW frequency swap; and
  - the closure of a non-performing television production joint venture in Singapore.
- Interest of \$4.6m (non-tax deductible) on Convertible Preference Shares. This is a reclassification of the CPS dividend, as required under AIFRS. This adjustment will be non-recurring due to the conversion of the CPS into ordinary shares in March 2006.

At an operating level, the result reflected the following:

- A soft television and radio advertising market during the year. The regional television market grew 2.6%, the Adelaide television market contracted 1.8% and metropolitan radio grew 2.9%;
- A decline in revenue market share within the television division, reflecting the metropolitan trends;
- No increase in cash costs within the television division (excluding Commonwealth Games costs);
- A radio division which strongly outperformed the market in revenue market share and delivered robust earnings growth; and
- Strong earnings growth from Southern Star.

Southern Cross Broadcasting's Chairman, John Dahlsen, said "In a year where our television business suffered due to a difficult national advertising market and a loss of market share, we were pleased that our radio division and Southern Star have delivered significant double-digit profit growth. In line with our ongoing focus of driving efficiency and productivity we have aggressively reduced the operating cost base within both radio and television to provide a stronger platform for the 2006/07 year and beyond.

"Directors have declared a final dividend of 34 cents per share, which takes the full year dividend to 68 cents, a 3% increase on prior year."

Mr Dahlsen also announced that the company is undertaking an on-market share buyback of up to 7 million ordinary shares, representing 9.8% of issued capital.

## **OPERATIONS**

Reporting on the company's operations, the Managing Director Tony Bell said, "Southern Cross Broadcasting's management team has achieved high levels of success in managing a diverse range of media assets. Our controllable expenses were well contained and considering the national trends on ratings performances by our television program providers, we achieved superior revenue shares. Southern Star continues to perform consistently and above the expectations we had at the point of acquisition. Our radio stations also delivered revenue and earnings well above the previous year levels despite the slower advertising market.

"In the second half we carried out a restructuring program that saw a reduction of in excess of sixty staff. Some senior management positions were redefined and others eliminated. We outsourced parts of our television commercial production and significantly reduced staff numbers at our administrative and distribution centres. We also restructured Radio 2UE to meaningfully improve profitability."

## Segment Revenue and EBIT

	Sales Revenue			EBIT*		
	Jun-06	Jun-05		Jun-06	Jun-05	
	(A\$m)	(A\$m)		(A\$m)	(A\$m)	
Television	311.4	316.9	- 1.7%	63.3	70.5	- 10.3%
Radio	103.9	97.4	+ 6.6%	18.3	15.3	+ 19.6%
Southern Star	121.4	118.3	+ 2.6%	12.2	10.6	+ 14.4%
Other	7.2	2.2		(1.0)	(1.9)	
<b>Total</b>	<b>543.9</b>	<b>534.9</b>	<b>+ 1.7%</b>	<b>92.8</b>	<b>94.6</b>	<b>- 1.9%</b>

\* Includes contribution from Associates and excludes significant items

### Television

The television division was adversely affected by the national ratings and revenue performance of both the Ten and Nine networks. Influencing factors included special program events in the third quarter such as the Winter Olympics and Commonwealth Games. Added to this was a lack of recognition by advertisers of the Ten network's improved ratings position.

Given the above, and soft advertising market conditions, the revenue variance within our television division of -1.7% positively reflects on the strength of our sales capability, especially in local markets. Whilst national/agency sales declined 5.7%, our local retail revenue grew 4.3%.

With the exception of the cost of the Commonwealth Games at Channel Nine Adelaide, costs across our television division were flat for the year. Savings were achieved through tight cost control and the implementation in the second half of structural changes at both management and operational levels.

### Radio

Our radio division performed well, achieving revenue growth of 6.6%, which was well above market growth of 2.9%. Earnings grew by 19.6%, with standout performance from 96FM and 6PR in Perth and 4BC and 4BH in Brisbane. These stations achieved combined revenue growth of more than 10% and combined profit growth of more than 35%.

3AW has consistently rated No. 1 in Melbourne for more than ten years and remains the highest profit contributor within our radio division. During the year we successfully swapped 3AW's 1278AM frequency with Magic's 693AM frequency. The 693 frequency provides lower level interference, enabling people to listen to 3AW in more places across Melbourne.

We have taken further steps to restore 2UE's profitability. We re-invigorated the critical breakfast shift in January 2006 with well known Sydney identity, Peter FitzSimons, joining Mike Carlton, and we are confident the program will generate a ratings improvement. We have restructured the 2UE business, reducing the operating cost base by approximately \$2.5m, without affecting the on-air product and we believe the business is now better structured for success than at any time in the past five years.

## Television Production and Distribution

Southern Star's 14.4% earnings increase is due predominantly to increased contributions from overseas operations both in production and distribution and an improved contribution from the 49%-owned Associate, Endemol Southern Star.

- Our UK production businesses are performing well with strong production slates.
- The Adult drama category in Australia remains challenging with the loss of Blue Heelers during FY06.
- Endemol Southern Star continues to perform strongly with successful programs such as Big Brother, Deal Or No Deal and a number of new programs in pre-production and development.
- Our International distribution business is also performing well, assisted by the acquisition of catalogue rights from UK producer, Coastal.

## Cash Flow

The company's net debt position improved over the year. Major investments and acquisitions during the year were as follows:

- The acquisition of Satellite Music Australia (SMA) for \$9.4m and Darrall Macqueen, a children's television producer, for \$1.9m (net of cash acquired);
- The acquisition of catalogue rights from UK producer Coastal for approximately \$4.3m, with a further payment of approximately \$3m due in the 2006/07 financial year; and
- Investment of approximately \$4 million in the production of several new children's programs (partly as an advance against contracted pre-sales and partly in return for international distribution rights).

## Tax Rate

A higher effective corporate tax rate applied because of the recoupment of tax losses in the previous corresponding period.

## OUTLOOK

### Core Businesses

The television, and to a lesser extent radio, advertising markets remain short term and unpredictable. Whilst we remain optimistic of an improvement over the course of 2006/07, it is too volatile to provide reliable guidance.

We expect to achieve gains in revenue market share from our regional Southern Cross Tens due to our impressive ratings performance in 2006.

At NWS 9 Adelaide we are pleased to have renewed our program affiliation agreement with the Nine Network. We expect to see a material improvement in NWS's profitability with the cessation of AFL rights and associated production costs and the benefit of our new long term agreement with Nine.

Within radio, we expect a continuation of the current strong performance from all of our stations and, in particular, we should see a good improvement in 2UE's financial position.

Southern Star is expected to continue its strong performance. The Australian drama category remains difficult, but international sales and productions remain solid.

### Digital Media

Towards the end of calendar 2006 Southern Cross Broadcasting will launch [www.mytalk.com.au](http://www.mytalk.com.au).

Mytalk is intended to be a home page with national and local news, sports and financial information. The site will draw on content from Southern Cross Broadcasting's extensive media outlets which cover a potential 94% of Australia's population. Interactivity will be provided via forums and blogs, extending talkback radio to the web nationally. National and local advertising will be postcode driven.

Development of the site is well advanced with a dedicated team in place, and a broader digital strategy is also in development.

### Earnings

Given the uncertainty around the growth of the television and radio advertising markets it is difficult to provide definitive guidance around earnings growth. However, assuming a modest recovery in the advertising market in the second half, and taking account of the revised cost base for the company, we expect to achieve positive earnings growth in FY07.

## **DIVIDENDS**

Directors have declared a fully franked final dividend of 34 cents per share, up 3% on the 33 cents paid in the previous corresponding period. This brings total dividend for the year to 68 cents per share (previous year 66 cents per share).

Shareholders are reminded that the company's Dividend Reinvestment Plan will operate in respect of the final dividend payable on 13 October 2006. The Plan offers all shareholders the opportunity to take shares at the prevailing market price. The last day for lodgement of Notice of Election/Variation is Wednesday, 4 October 2006.

## **GROWTH**

The proposed changes to cross media ownership laws are expected to provide opportunities for the company, and we continue to review potential acquisition targets within the media sector. We will also consider acquisitions outside of main media that would fit with the profile and skills of the company, including within the digital media space.

## **SHARE BUY BACK**

As part of our commitment to efficient capital management and to counter dilution from the issue of 7,665,210 ordinary shares upon conversion of the Convertible Preference Shares on 31 March 2006, the company announces its intention to commence on on-market buy back of up to 7 million ordinary shares, representing 9.8% of current issued capital.

The company's current gearing levels are low, with Net Debt to EBITDA at less than 2.0x. Directors consider the company can comfortably complete the buyback and retain sufficient capacity for continued investment in new business initiatives. The company continues to seek out acquisition opportunities, and if necessary is prepared to raise additional equity and debt at the appropriate time should a significant opportunity arise.

The proposed buy back is expected to be funded from existing facilities. The buy back will be accretive to earnings per share.

For further information: Mr Tony Bell, Managing Director or  
Mr Stuart Boxer, Chief Financial Officer  
Telephone: (03) 9243 2100 Facsimile: (03) 9682 5158

Southern Cross Broadcasting (Australia) Ltd  
ABN 86 006 186 974

## Appendix 4E

### Preliminary final report For the year ended 30 June 2006

**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 2006  
Previous Reporting Period: Financial Year ended 30 June 2005

#### Results for announcement to the market

<b>Revenue and Net Profit/(Loss)</b>	Percentage increase/(decrease)		Current period \$A'000
Revenue from ordinary activities	2%	to	559,733
Profit from ordinary activities after tax attributable to members	-22%	to	50,103
Net profit attributable to members	-22%	to	50,103

<b>Dividends (Distributions)</b>	Amount per security	Franked amount per security
Final Dividend	34 cents	34 cents
Previous corresponding period	33 cents	33 cents
Record date for determining entitlements to the dividend (distribution)	4 October 2006	
Date the dividend (distribution) is payable	13 October 2006	

<b>Brief explanation of Revenue, Net Profit and Dividends (Distributions)</b>
Refer Media Release

<b>Net Tangible Assets per Security</b>	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	(\$0.46)	(\$1.05)
Net tangible asset backing including broadcasting licences per ordinary security	\$7.58	\$8.21

**Details of entities which control has been gained or los****Control gained over entities**

Name of entity	Date control gained
Satellite Marketing Australia Pty Limited Group	1-Jul-05
Darrall Macqueen Limited Group	1-Oct-05

Current period  
\$A'000

Contribution of the controlled entity to profit from ordinary activities:  
before income tax during the  
period, from the date of gaining control.  
Satellite Marketing Australia Pty Limited  
Darrall Macqueen Limited

971  
398

**Loss of control over entities**

	Date control lost
Tricom Systems Pty Limited	1-Jul-05
Southern Cross Services Pty Limited	1-Jul-05
Southern Cross Agency Pty Limited	1-Jul-05
The Movie Channel Pty Limited	1-Jul-05
Telecasters Australia Limited	1-Jul-05
Victorian Broadcasting Network (1983) Pty Limited	1-Jul-05
Tricom Television (Tasmania) Pty Limited	1-Jul-05
Videosonics Pty Limited	1-Jul-05
Telecasters Aust. Special Childrens Foundation Limited	1-Jul-05
Richmond - Tweed Television Pty Limited	1-Jul-05
Broadcast Investments Holdings Pty Limited	1-Jul-05
Talk Radio Network Pty Limited	1-Jul-05
Roxburgh Park Hotel Pty Limited	1-Jul-05
Southern Cross Emedia Pty Limited	1-Jul-05
United Broadcast Holdings Pty Limited	1-Jul-05
Image South Pty Limited	20-Feb-06
Lewara Pty Limited	20-Feb-06
Stanys Pty Limited	9-Oct-05
Tri-City T.V. Pty Limited	20-Feb-06
Tricom Services No. 1 Limited	20-Feb-06
Southern Star Group Limited (incorporated in New Zealand)	1-Jul-05
Imagedome Limited	1-Jul-05

These entities have been either de-registered or placed in liquidation and have made little or no contribution to profit during the period up to the date of losing control

**Details relating to Dividends (Distributions)**

		Date dividend payable	Amount per security	Amount per security of foreign sourced dividend
Final Dividend	2006	13/10/06	34 cents	-
	2005	14/10/05	33 cents	-
Interim Dividend	2006	31/03/06	34 cents	-
	2005	18/03/05	33 cents	-
Total	2006		68 cents	-
	2005		66 cents	-

**Total dividend (distribution) per security (interim plus final)**

	Current period	Previous corresponding period
Ordinary shares:		
: Fully paid	68 cents	66 cents
: Paid up to 2.5 cents	-	-
: Paid up to 1 cent	-	-
Convertible preference shares	34 cents	66 cents
Other equity instruments	-	-

	Current period \$A'000	Previous corresponding period \$A'000
<b>Interim and final dividend (distribution) on all securities</b>		
(a) Dividends paid during the year		
(i) Current year interim - 34 cents per share fully franked (2005 - 33 cents per share fully franked)	23,752	22,184
(ii) Previous year final - 33 cents per share fully franked (2004 - 30 cents per share fully franked)	22,820	19,939
	<u>46,572</u>	<u>42,123</u>
(b) Dividends proposed and not recognised as a liability - 34 cents per share fully franked (2005 - 33 cents per share fully franked)	<u>24,245</u>	<u>22,731</u>

**Any other disclosures in relation to dividends (distributions)**

Dividends paid during the year ended 30 June 2006 are inclusive of convertible preference share dividends which were classified as finance costs in the income statement

The final dividend payable on 13 October 2006, will be fully franked at 30%. The interim dividend for 2006 and both the interim and final dividend for 2005 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 137.

Last date(s) for receipt of election notices for the dividend plan: 4 October 2006

<b>Movement in Retained Earnings</b>	2006 \$A'000	2005 \$A'000
Balance at beginning of the Year	35,276	12,556
Net profit attributable to members	50,103	64,611
Application of AASB 132 and AASB 139		
Restatement of discounted long term receivables	(382)	-
Restatement of discounted long term accrued royalties	278	-
Restatement of Interest rate swaps to fair value	1,385	-
Tax effect of restatement of interest rate swaps to fair value	(416)	-
Actuarial gain/(loss) on defined benefits plan	745	332
Tax effect of adjustment to defined benefits liability on actuarial gain	(223)	(100)
Reclassification from asset revaluation reserve	4,425	-
Total available for appropriation	91,191	77,399
Less dividends provided for or paid	(41,989)	(42,123)
Balance at end of Year	49,202	35,276

<b>Details of associates and joint venture entities</b>				
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	
	2006 %	2005 %	2006 \$'000	2005 \$'000
<b>Associates</b>				
Digital Distribution Australia Pty Ltd	-	-	-	(10)
Homebush Transmitters Pty Ltd	50.00	50.00	5	20
Gold Coast Translators Pty Ltd	25.00	25.00	16	17
Regional TAM Pty Ltd	35.71	35.71	2	1
Tasmanian Digital Television Pty Ltd	50.00	50.00	-	-
Carnival (Films & Theatre) Ltd *	-	-	-	(37)
Perth FM Facilities Pty Ltd	33.00	33.00	8	(8)
Southern Star Endemol Pty Ltd	49.00	49.00	5,907	5,161
Photolibrary Pty Ltd**	-	46.60	-	(518)
Southern Star Golden Globe Pty Ltd	50.00	50.00	(191)	(252)
* On 30 November 2004, Carnival (Films & Theatre) Ltd became a wholly owned controlled entity.				
** On 18 August 2005 Photolibrary Pty Ltd was sold.				

**Basis of accounts preparator**

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.

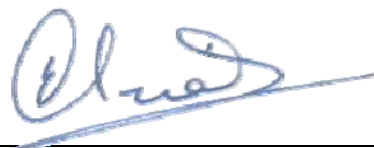
The accounts are in the process of being audited or subject to review

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: 8 September 2006

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

**INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2006**

	Note	Consolidated	
		2006 \$'000	2005 \$'000
Sales revenue	1	543,895	534,935
Finance revenue	1	1,454	1,250
Other operating revenue	1	14,384	12,150
<b>REVENUE FROM ORDINARY ACTIVITIES</b>		<b>559,733</b>	<b>548,335</b>
Other income	1	925	24,335
Programming and transmission expenses		(223,583)	(228,221)
Film & television, production & distribution expenses		(91,712)	(90,772)
Administration expenses		(76,177)	(72,118)
Sales and marketing expenses		(84,409)	(84,452)
Finance costs	1	(18,224)	(15,566)
Share of net profit of associate entities accounted for using the equity method		5,747	4,374
<b>PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>		<b>72,300</b>	<b>85,915</b>
Income tax expense relating to ordinary activities	2	(22,078)	(21,270)
<b>NET PROFIT</b>		<b>50,222</b>	<b>64,645</b>
Net profit attributable to outside equity interests		(119)	(34)
Net profit attributable to members		50,103	64,611
Basic earnings per share (cents per share)		77.30	99.70
Diluted earnings per share (cents per share)		77.47	95.04
Franked dividends (paid and proposed) per share (cents per share)		68.00	66.00

The accompanying notes form an integral part of this Income Statement.

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

**BALANCE SHEET  
AS AT 30 JUNE 2006**

	Note	Consolidated	
		2006 \$'000	2005 \$'000
<b>Current assets</b>			
Cash and cash equivalents	4	28,862	40,259
Trade and other receivables		135,899	145,645
Inventories		12,537	12,559
Derivatives		1,862	-
Other		10,082	9,909
<b>Total current assets</b>		<b>189,242</b>	<b>208,372</b>
<b>Non current assets</b>			
Trade and other receivables		1,521	4,552
Inventories		12,744	18,387
Investments in associates		3,899	6,053
Available-for-sale financial investments		1,852	2,935
Property, plant and equipment		158,486	157,296
Deferred tax assets		19,804	21,214
Television and radio licences		573,992	573,992
Other intangible assets		78,071	61,968
Other assets		11,624	5,091
<b>Total non current assets</b>		<b>861,993</b>	<b>851,488</b>
<b>Total assets</b>		<b>1,051,235</b>	<b>1,059,860</b>
<b>Current liabilities</b>			
Trade and other payables		119,346	136,427
Interest bearing liabilities		3,690	3,344
Interest bearing liabilities - convertible preference shares		-	15,054
Current tax liabilities		5,357	5,456
Provisions		13,113	13,904
Deferred government grants		3,168	614
<b>Total current liabilities</b>		<b>144,674</b>	<b>174,799</b>
<b>Non current liabilities</b>			
Trade and other payables		12,165	11,002
Interest bearing liabilities		210,541	229,147
Deferred tax liabilities		35,825	39,629
Provisions		7,397	8,364
Deferred government grants		20,742	23,910
Retirement benefit obligations		975	1,964
<b>Total non current liabilities</b>		<b>287,645</b>	<b>314,016</b>
<b>Total liabilities</b>		<b>432,319</b>	<b>488,815</b>
<b>Net assets</b>		<b>618,916</b>	<b>571,045</b>
<b>Equity</b>			
Issued capital		570,362	535,524
Reserves		(1,124)	5
Retained profits		49,202	35,276
Total parent entity interest in equity		618,440	570,805
Total outside equity interest		476	240
<b>Total equity</b>		<b>618,916</b>	<b>571,045</b>

The accompanying notes form an integral part of this Balance Sheet.

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

**STATEMENT OF RECOGNISED INCOME AND EXPENSE  
AS AT 30 JUNE 2006**

	<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Items recognised directly in equity:		
Value of available-for-sale assets	<b>(1,677)</b>	-
Amortisation of option valuation	<b>1,539</b>	1,032
Fair value adjustment to interest rate swaps	<b>397</b>	-
Adjustment to defined benefit liability based on actuarial gain	<b>745</b>	332
Income tax on items taken directly to or transferred from equity	<b>161</b>	(100)
Increase/(decrease) in foreign currency reserve	<b>2,653</b>	(5,452)
Net income/(expense) recognised directly in equity	<b>3,818</b>	(4,188)
Profit for the period	<b>50,222</b>	64,645
Total recognised income and expense for the year	<b>54,040</b>	60,457
Attributable to:		
Members of the parent	<b>54,159</b>	60,491
Minority interest	<b>(119)</b>	(34)
Effect of changes in accounting policy:		
Members of the parent	<b>(31)</b>	(58,717)
Minority interest	<b>-</b>	-
	<b>(31)</b>	(58,717)

The accompanying notes form an integral part of this Statement of Recognised Income and Expense.

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

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2006**

	Note	Consolidated	
		2006 \$'000	2005 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		620,919	640,816
Payments to suppliers and employees		(523,458)	(533,021)
Dividends received		5,490	4,460
Interest received		1,454	1,250
Borrowing costs paid		(13,641)	(14,278)
Income tax paid		(24,826)	(20,575)
<b>Net cash flows from operating activities</b>	4	<u>65,938</u>	<u>78,652</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(17,862)	(42,733)
Purchase of controlled entities, net of cash acquired	4	(11,260)	2,974
Proceeds from sale of property, plant and equipment		586	11,659
Proceeds from sale of investments		2,962	25,500
Payments for film and other investments		(5,698)	-
Loan advanced to associated company		(570)	(2,161)
Loan repayments received		1,315	1,997
<b>Net cash flows used in investing activities</b>		<u>(30,527)</u>	<u>(2,764)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares		5,330	3,411
Repayment of finance lease principal		(759)	(844)
Dividends paid		(32,118)	(27,559)
Proceeds from borrowings		36,000	37,000
Repayment of borrowings		(55,500)	(55,000)
<b>Net cash flows used in financing activities</b>		<u>(47,047)</u>	<u>(42,992)</u>
<b>Net increase/(decrease) in cash held</b>		<b>(11,636)</b>	32,896
Add opening cash brought forward		40,259	8,454
Effects of exchange rate changes on cash		239	(1,091)
<b>Closing cash carried forward</b>	4	<u><u>28,862</u></u>	<u><u>40,259</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

Note	Consolidated	
	2006 \$'000	2005 \$'000
<b>Note 1 Profit and Loss Items</b>		
<b>Profit from ordinary activities after crediting the following revenues:</b>		
Sales revenue		
Television	311,411	316,928
Radio	103,899	97,444
Film & television production & distribution	121,356	118,326
Other	7,229	2,237
	<u>543,895</u>	<u>534,935</u>
Interest received from:		
Other persons	1,454	1,250
Other Operating Revenue	<u>14,384</u>	<u>12,150</u>
Other Income		
Profit on sale of property, plant and equipment	76	8,175
Profit on sale of investments	-	15,600
Government Grants	614	-
Net foreign exchange gains	235	560
	<u>925</u>	<u>24,335</u>
<b>Profit from ordinary activities after charging the following expenses:</b>		
<b>(a) Depreciation and amortisation</b>		
Amortisation of leased assets	474	566
Depreciation of property, plant and equipment	17,309	16,050
<b>(b) Other expense items</b>		
Bad debts written off and provision for doubtful debts	824	1,057
Provision for employee benefits	4,261	4,499
Operating lease rentals	8,494	8,514
Loss on sale of property, plant & equipment	100	243
Defined benefit superannuation expense	1,014	917
Defined contribution superannuation expense	6,863	7,331
Amortisation of executive options	1,539	1,032
Government Grants	-	414
<b>(c) Borrowing costs</b>		
Interest paid or payable to other persons	13,105	14,294
Interest on convertible preference shares - debt component	4,583	740
Amortisation of loan facility fees	392	378
Finance lease interest charges	144	154
	<u>18,224</u>	<u>15,566</u>
<b>(d) Significant items</b>		
Profit from ordinary activities includes the following significant revenues and expenses whose disclosure is relevant in explaining the performance of the entity:		
Profit on sale of property	-	7,680
Provisions for write down of inventories	-	(9,813)
Provision for onerous contracts	-	(4,615)
Profit/(loss) on sale of investments	(164)	15,600
Redundancies and rationalisation	(2,377)	(843)
Write-off of capitalised investment costs	-	(1,205)
Loss on closure of a business	(528)	(610)
Provision for write down of receivable from associate	-	(537)
Radio frequency swap costs	(627)	-
	<u>(3,696)</u>	<u>5,657</u>
<b>Note 2 Income Tax</b>		
Numerical reconciliation of income tax expense to prima facie Income tax payable		
Accounting profit before tax from continuing operations	72,300	85,915
At the Group's statutory income tax rate of 30%	21,690	25,775
Non deductible expenditure	544	446
Tax losses brought to account	(165)	(2,614)
Net non taxable components of specific items	-	(393)
Interest on convertible preference shares	1,375	222
Equity accounted share of associate entities' (profit)/loss	(1,772)	(1,162)
Other sundry items	312	(591)
Adjustments in respect of current income tax of previous years	94	(413)
Income tax expense reported in the consolidated income statement	<u>22,078</u>	<u>21,270</u>

## NOTES TO THE FINANCIAL STATEMENTS

### Note 3 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), Satellite Music Australia 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	
		2006 \$'000	2005 \$'000
Sales revenue			
Television		311,411	316,928
Radio		103,899	97,444
Film & television production & distribution		121,356	118,326
Other		7,229	2,237
		<u>543,895</u>	<u>534,935</u>
Other operating revenue			
Television		6,147	5,611
Radio		1,255	1,124
Film & television production & distribution		930	1,041
Other		6,052	4,374
		<u>14,384</u>	<u>12,150</u>
Finance income		1,454	1,250
Total revenue		<u>559,733</u>	<u>548,335</u>
Results			
Television	(a)	62,157	54,731
Radio	(b)	17,123	15,283
Film & television production & distribution	(c)	5,189	6,264
Other	(d)	(1,146)	19,579
		<u>83,323</u>	<u>95,857</u>
Share of associates' net profit / (loss) equity accounted			
Television		13	8
Radio		18	12
Film & television production & distribution		5,716	4,354
Other		-	-
		<u>5,747</u>	<u>4,374</u>
Finance revenue		1,454	1,250
Borrowing costs		(18,224)	(15,566)
Profit before income tax expense		<u>72,300</u>	<u>85,915</u>
Income tax expense		(22,078)	(21,270)
Net profit		<u>50,222</u>	<u>64,645</u>
Net profit attributable to outside equity interests		(119)	(34)
Net profit attributable to members		<u>50,103</u>	<u>64,611</u>

- (a) The result of the television segment is \$63,311,000 before significant items (2005 \$70,539,000).  
 (b) The result of the radio segment is \$18,266,000 before significant items (2005 \$15,283,000).  
 (c) The result of the film and television production and distribution segment is \$6,435,000 before significant items (2005 \$6,264,000).  
 (d) The result of the other segment is a loss of \$993,000 before significant items (2005 loss of \$1,886,000).

**NOTES TO THE FINANCIAL STATEMENTS**

	Note	Consolidated	
		2006 \$'000	2005 \$'000
<b>Note 3 Segment Information (continued)</b>			
Depreciation and amortisation			
Television		11,950	11,639
Radio		1,645	1,514
Film & television production & distribution		850	722
Other		3,338	2,741
		<u>17,783</u>	<u>16,616</u>
Assets			
Television		621,420	626,672
Radio		172,864	169,192
Film & television production & distribution		172,328	188,696
Other		84,623	75,300
		<u>1,051,235</u>	<u>1,059,860</u>
Liabilities			
Television		82,126	95,210
Radio		8,127	9,295
Film & television production & distribution		73,069	89,984
Other		268,997	294,326
		<u>432,319</u>	<u>488,815</u>
Acquisitions of property, plant and equipment, intangible assets and other non current assets			
Television		9,462	16,762
Radio		3,659	6,077
Film & television production & distribution		5,336	7,526
Other		15,412	20,809
		<u>33,869</u>	<u>51,174</u>
Share of equity accounted investments			
Television		60	42
Radio		2	(11)
Film & television production & distribution		3,837	6,022
		<u>3,899</u>	<u>6,053</u>

Other Segment's other operating revenue and result are net of eliminations of inter-company transactions of \$65,500,000 (2005: \$64,500,000). 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		442,461	452,666
United Kingdom		101,434	82,269
		<u>543,895</u>	<u>534,935</u>
Other operating revenue			
Australia		13,876	11,430
United Kingdom		508	720
		<u>14,384</u>	<u>12,150</u>
Total segment revenues			
Australia		456,337	464,096
United Kingdom		101,942	82,989
		<u>558,279</u>	<u>547,085</u>
Finance income		1,454	1,250
Total revenue		<u>559,733</u>	<u>548,335</u>

NOTES TO THE FINANCIAL STATEMENTS

Note	Consolidated	
	2006 \$'000	2005 \$'000
<b>Note 3 Segment Information (continued)</b>		
Results		
Australia	73,460	88,794
United Kingdom	9,863	7,063
	<u>83,323</u>	<u>95,857</u>
Share of associates' net profit / (loss) equity accounted		
Australia	5,747	4,411
United Kingdom	-	(37)
	<u>5,747</u>	<u>4,374</u>
Finance income	1,454	1,250
Borrowing costs	<u>(18,224)</u>	<u>(15,566)</u>
Profit before income tax expense	72,300	85,915
Income tax expense	<u>(22,078)</u>	<u>(21,270)</u>
Profit after tax from continuing operations	50,222	64,645
Profit attributable to minority interests	<u>(119)</u>	<u>(34)</u>
Net profit attributable to member of the parent	<u>50,103</u>	<u>64,611</u>
Depreciation and amortisation		
Australia	17,454	15,711
United Kingdom	329	905
	<u>17,783</u>	<u>16,616</u>
Assets		
Australia	967,240	953,542
United Kingdom	83,995	106,318
	<u>1,051,235</u>	<u>1,059,860</u>
Liabilities		
Australia	419,812	439,477
United Kingdom	12,507	49,338
	<u>432,319</u>	<u>488,815</u>
Acquisitions of property, plant and equipment, intangible assets and other non current assets		
Australia	28,878	44,059
United Kingdom	4,991	7,115
	<u>33,869</u>	<u>51,174</u>
Share of equity accounted investments		
Australia	3,899	6,053
United Kingdom	-	-
	<u>3,899</u>	<u>6,053</u>

NOTES TO THE FINANCIAL STATEMENTS

Consolidated  
2006                      2005  
\$'000                      \$'000

**Note 4 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 Balance Sheet as follows:

Cash on hand and at bank	28,862	40,259
	28,862	40,259

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

Operating profit after income tax	50,222	64,645
Add/(Less):		
Depreciation and amortisation	17,783	16,616
Taxation provisions	(2,749)	5,783
Profit on sale of investments	164	(15,600)
Profit on sale of property	-	(7,680)
Provisions for write down of inventories	-	9,813
Provision for onerous contracts	-	4,615
Share of associates' net (profit)/loss	(5,747)	(4,374)
Share options expensed	1,539	1,032
Other	864	1,857
Net change in assets and liabilities :		
Receivables	10,850	(6,898)
Inventories	5,666	3,938
Prepayments	1,864	(2,814)
Accounts payable	(15,253)	10,221
Other assets and liabilities	735	(2,502)
	65,938	78,652

**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 :

	444	1,164
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These acquisitions are not reflected in the statement of cash flows.

Under the terms of the Dividend Reinvestment Plan, \$14,454,000 (2005: \$15,270,000) of dividends were paid via the issue of 1,099,119 shares (2005: 1,212,573).

## NOTES TO THE FINANCIAL STATEMENTS

### Note 4 Cash Flow Information (continued)

#### Controlled entities acquired

The following controlled entities were acquired :

#### 2006

On 1 July 2005, the Group acquired a 100% interest in Satellite Marketing Australia, an unlisted company based in Australia specialising in the digital music distribution to subscribers.

On 1 October 2005, the group acquired a 75% interest in Darrall Macqueen, a television production company in the UK.

#### 2005

An additional 60% of Carnival (Films and Theatre) Limited was acquired, bringing the economic entity's interest to 100% as of 30 November 2005

	<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash	12,462	6,138
Accrual for additional costs	560	717
Deferred settlement amounts	2,814	2,670
Total consideration	<u>15,836</u>	<u>9,525</u>
The amounts of assets and liabilities acquired by major class are :		
Cash	1,202	9,112
Receivables	1,206	686
Property, plant and equipment	1,312	3,959
Goodwill	15,226	3,254
Accounts payable	<u>(3,003)</u>	<u>(3,019)</u>
	15,943	13,992
Less existing investment	-	(4,467)
Minority Interest	<u>(107)</u>	<u>-</u>
	<u>15,836</u>	<u>9,525</u>
Net cash effect of acquisitions:		
Cash consideration	12,462	6,138
Cash balance acquired	<u>(1,202)</u>	<u>(9,112)</u>
(Inflow)/Outflow of cash to acquire the entities	<u>11,260</u>	<u>(2,974)</u>

## NOTES TO THE FINANCIAL STATEMENTS

### Note 4 Cash Flow Information (continued)

#### Financing facilities

Entities in the consolidated entity have access to credit standby arrangements:

Unsecured bank overdraft facility	4,000	2,500
Bank guarantee	1,100	-
Revolving cash advance facilities	275,000	250,000
	<u>280,100</u>	<u>252,500</u>
Amounts drawn down	(206,306)	(223,000)
Amount of credit unused	<u>73,794</u>	<u>29,500</u>

The \$4,000,000 bank overdraft facility is subject to annual review and subject to cancellation at either party's election at each review date. The revolving cash advance facilities expire on 10 July 2011.

### Note 5 Subsequent Events

On 8 September 2006, the company announced its intention to commence an on-market buy back, over a twelve month period, of up to 7 million of its ordinary shares, representing 9.8% of the total number of ordinary shares on issue. The share buy back is part of the company's commitment to efficient capital management and to counter dilution from the issue of 7,665,210 ordinary shares upon conversion of the Convertible Preference Shares on their maturity date of 31 March 2006.

Channel Nine Adelaide has executed a program affiliation agreement with the Nine Network, effective 31 August 2006 and expects to see an improvement in its results from the new terms of this long term affiliation.

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 6 Changes in accounting policies

The accounting policies adopted are consistent with those disclosed in Note 1 to the Financial report lodged with the Appendix 4D for the half year ended 31 December 2005.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 7 Impacts of the Adoption of Australian Equivalents to International Financial Reporting Standards

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 (AGAAP) are illustrated below.

#### (i) Reconciliation of total equity as presented under AGAAP to that under AIFRS

	Consolidated	
	June 2005	1 July 2004
<b>Total equity under AGAAP</b>	629,762	598,595
<b>Adjustments to reserves:</b>		
Reset of foreign currency translation reserve (a)	(4,342)	(4,342)
Restatement to cost of values of television and radio licenses (b)	(28,681)	(28,681)
Amortisation of executives' share options (f)	1,032	-
<b>Adjustments to retained profits:</b>		
Recognition of defined benefit liability (d)	(2,442)	(2,774)
Initial recognition of accrual in relation to government grant (e)	(24,110)	(24,110)
Reset of foreign currency translation reserve (a)	4,342	4,342
Restatement of deferred tax assets and liabilities (g)	(8,858)	(8,858)
Accumulated amortisation of leasehold improvements - make good provisions (h)	(938)	(938)
Reversal of amortisation of goodwill (c)	4,233	-
Amortisation of executives' share options (f)	(1,032)	-
Provision for defined benefit liability (d)	477	-
Provision for accrual in relation to government grant (e)	(414)	-
Amortisation of leasehold improvements - make good provisions (h)	(191)	-
Restatement of current income tax expense (g)	2,207	-
<b>Total equity under AIFRS</b>	<u>571,045</u>	<u>533,234</u>

- (a) Foreign currency translation reserves have been reset to nil on 1 July 2004 in accordance with AASB 1 "First-Time Adoption of Australian Equivalents to International Financial Reporting Standards"
- (b) Radio and television broadcast licences have been restated to a cost basis in accordance with the requirements of AASB 138 "Intangible Assets".
- (c) Amortisation of goodwill is not permitted after 1 July 2004 and is written-back in order to comply with AASB 3 "Business Combinations"
- (d) A liability has been recognised in respect of the deficiency in the company's defined benefit superannuation fund in accordance with AASB 119 "Employee Benefits".
- (e) Government grants have been recognised as a liability prior to matching them with the incremental depreciation and operating costs they are intended to compensate on a systematic basis in accordance with AASB 120 "Accounting for Government Grants and Disclosure of Government Assistance".
- (f) Executive options are required to be measured at fair value determined at the date granted by reference to an option pricing model. An expense component is to be recognised over the vesting period, and accrued value to option holders is to be recognised in a general reserve in accordance with AASB 2 "Share-based Payment"
- (g) Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items in accordance with AASB 112 "Income Taxes".
- (h) AASB 116: Property, plant & Equipment defines the cost of an item of property, plant and equipment to include the initial estimate of the costs of dismantling and restoring the site on which it is located. The amount of such estimated costs have been recognised as leasehold improvements, and accumulated amortisation in relation to that asset are recognised directly in retained profits.

#### (ii) Reconciliation of profit after tax under AGAAP to that under AIFRS

	Consolidated	
	June 2005	June 2004
<b>Profit after tax under AGAAP</b>	59,331	46,262
Reversal of amortisation of goodwill	4,233	-
Amortisation of executives' share options	(1,032)	-
Provision for defined benefit liability	477	-
Provision for accrual in relation to government grant	(414)	-
Amortisation of leasehold improvements - make good provisions	(191)	-
Restatement of current income tax expense	2,207	-
<b>Profit after tax under AIFRS</b>	<u>64,611</u>	<u>46,262</u>

NOTES TO THE FINANCIAL STATEMENTS

**Note 7 Impacts of the Adoption of Australian Equivalents to International Financial Reporting Standards (continued)**

**(iii) Consolidated Balance Sheet adjustments for first time adoption of AASB 132: Financial Instruments: Disclosure and Presentation and AASB 139: Financial Instruments: Recognition and Measurement as at 1 July 2005**

	Notes	AIFRS 30 June 2005 \$'000	AIFRS Impact \$'000	AIFRS 1 July 2005 \$'000
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents		40,259	-	40,259
Trade and other receivables		145,645	-	145,645
Inventories		12,559	-	12,559
Derivatives	(a)	-	1,386	1,386
Other		9,909	-	9,909
<b>Total Current Assets</b>		<u>208,372</u>	<u>1,386</u>	<u>209,758</u>
<b>Non Current Assets</b>				
Trade and other receivables	(a)	4,552	(382)	4,170
Inventories		18,387	-	18,387
Investment accounted for using the equity method		6,053	-	6,053
Available-for-sale investments	(b)	2,905	(271)	2,634
Other investments		30	-	30
Property, Plant & Equipment		157,296	-	157,296
Deferred Tax Assets		21,214	81	21,295
Television and Radio Licences		573,992	-	573,992
Intangible assets and goodwill		61,968	-	61,968
Other		5,091	-	5,091
<b>Total Non Current Assets</b>		<u>851,488</u>	<u>(572)</u>	<u>850,916</u>
<b>Total Assets</b>		<u>1,059,860</u>	<u>814</u>	<u>1,060,674</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Trade and other payables		136,427	-	136,427
Interest-bearing loans and borrowings		3,344	-	3,344
Interest Bearing Liabilities - Convertible Preference Shares	(c)	15,054	74,174	89,228
Income tax payable		5,456	-	5,456
Provisions		13,904	-	13,904
Deferred government grants		614	-	614
<b>Total Current Liabilities</b>		<u>174,799</u>	<u>74,174</u>	<u>248,973</u>
<b>Non Current Liabilities</b>				
Trade and other payables	(a)	11,002	(278)	10,724
Interest-bearing loans and borrowings		229,147	-	229,147
Deferred Tax Liabilities		39,629	416	40,045
Provisions		8,364	-	8,364
Deferred government grants		23,910	-	23,910
Retirement benefit obligations		1,964	-	1,964
<b>Total Non Current Liabilities</b>		<u>314,016</u>	<u>138</u>	<u>314,154</u>
<b>Total Liabilities</b>		<u>488,815</u>	<u>74,312</u>	<u>563,127</u>
<b>Net Assets</b>		<u>571,045</u>	<u>(73,498)</u>	<u>497,547</u>
<b>Equity</b>				
Issued capital	(c)	535,524	(74,174)	461,350
Reserves	(b)	5	(190)	(185)
Retained Profits/(Accumulated Losses)	(a)	35,276	866	36,142
<b>Total parent interests</b>		<u>570,805</u>	<u>(73,498)</u>	<u>497,307</u>
<b>Total minority interests</b>		<u>240</u>	<u>-</u>	<u>240</u>
<b>Total equity</b>		<u>571,045</u>	<u>(73,498)</u>	<u>497,547</u>

- (a) On 1 July 2005 interest rate swaps (cash flow hedges) have been restated at fair value and long term receivables and payables have been discounted to their present values, with any initial gains/(losses) arising from restatement being taken directly to retained profits.
- (b) On 1 July 2005 available-for-sale assets were restated at fair value, with any initial gain/(loss) being recognised in reserves.
- (c) Convertible preference shares were reclassified as interest-bearing liabilities on 1 July 2005.