



## MEDIA RELEASE

23<sup>rd</sup> February 2007

### SOUTHERN CROSS BROADCASTING ACHIEVES PROFIT GROWTH IN A TOUGH ADVERTISING MARKET

Six Months ended	31/12/06 \$m	31/12/05 \$m	
<b>Sales Revenue</b>	<b>287.4</b>	<b>286.5</b>	<b>+ 0.3%</b>
<b>EBITDA*</b>	<b>60.6</b>	<b>60.8</b>	<b>- 0.3%</b>
<b>EBIT*</b>	<b>51.9</b>	<b>52.0</b>	<b>- 0.0%</b>
<b>Profit before tax*</b>	<b>45.6</b>	<b>45.6</b>	<b>0.0%</b>
<b>Normalised Net profit*</b>	<b>32.0</b>	<b>31.1</b>	<b>+ 2.9%</b>
Non-recurring Items:			
Significant items	(0.4)	-	
Interest on CPS	-	(2.3)	
<b>Reported Net profit</b>	<b>31.6</b>	<b>28.8</b>	<b>+9.6%</b>
<b>Interim Dividend Per Share</b>	<b>37 ¢</b>	<b>34 ¢</b>	<b>+ 8.8%</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 a 2.9% rise in unaudited normalised net profit after tax to \$32.0 million for the six months ended 31 December 2006, an increase of 2.9%. EBIT and EBITDA were in line with the previous corresponding period.

After deducting non-recurring items, reported net profit after tax rose 9.6% to \$31.6m.

Result highlights include:

- Continued profit growth from Radio and Southern Star;
- Material cost reductions within Television;
- Strong cash flow generation;
- A restructure of the group's finance function which will drive further efficiencies; and
- A clear articulation of the company's digital media strategy, with Mytalk to be expanded to include datacasting services, and with the launch of a new casual game play joint venture – YouPlay.

At an operating level, the result reflected the following:

- Softness in the radio and television markets during the first half year. The regional television market grew only 2.2%, the Adelaide television market contracted 5.3% and metropolitan radio grew 0.1%;
- A decline in revenue market share within the television division, compared with the previous corresponding period - largely reflecting metropolitan trends;
- A reduction in cash costs across television and radio division, due to our re-negotiated affiliation agreement with the Nine Network for Channel Nine Adelaide and the implementation of structural changes at both management and operational levels in the second half of the previous financial year;
- An increase in the government rebate accounting adjustment of \$0.9 million (pre-tax);
- A radio division which strongly outperformed the market in revenue market share and delivered robust earnings growth;
- Earnings growth from Southern Star; and
- Strong cash flows, with net debt reducing by \$25 million, and net debt to EBITDA now at less than 1.5 times.

The non-recurring items were:

- Significant items of \$0.6 million pre-tax (\$0.4 million after tax) relates to staff redundancies associated with the centralisation of day-to-day accounting and financial functions of all broadcasting business units to the Shared Services Division located at the Melbourne corporate premises. As a result of this move, the group will benefit through the elimination of duplicated accounting tasks, improved information analysis and savings through centralised buying.
- The reclassification of the CPS dividend as interest, as required under AIFRS, is no longer required due to the conversion of the CPS into ordinary shares in March 2006. In the previous corresponding period, the interest on CPS was \$2.3 million.

Southern Cross Broadcasting's Chairman, Mr John Dahlsen, said "In a period where our television business suffered due to a difficult national advertising market, we were pleased to have delivered a solid operating result. For the remainder of the 2006/07 financial year and beyond we will continue to benefit from the aggressive reduction of the operating cost base within both radio and television implemented last year."



## Radio

Our radio division performed well, achieving revenue growth of 3.7%, which was well above market growth of 0.1%. Earnings grew by 17.8%, with stations in each of our metropolitan markets all achieving revenue and earnings growth.

3AW has consistently rated No. 1 in Melbourne for more than eleven years and remains the highest profit contributor within our radio division. The group took further steps last year to restore 2UE's profitability and the returns of that station have considerably improved despite the Sydney radio advertising market being down 5.0%.

Our stations in Brisbane and Perth have continued to perform solidly.

## Television Production and Distribution

Southern Star's 15.1% earnings increase was due to increased contributions from overseas operations both in production and distribution, and a \$0.6 million profit on sale of a property in the UK, which were tempered by a \$1.0 million foreign currency loss caused by the strengthening of the UK Pound against the US dollar in the half year.

- Our UK production businesses are performing well with strong production slates.
- The Adult drama category in Australia remains challenging.
- Endemol Southern Star continues to perform strongly with successful programs such as Big Brother (Network Ten), Deal Or No Deal (Seven Network) and a number of new programs, including 1 VS 100 (Nine Network).
- Our International distribution business is also performing well, assisted by the recent acquisition of catalogue rights from UK producer, Coastal.

## OUTLOOK

### Core Businesses

The electronic media advertising market remain short term and unpredictable, although there are encouraging signs of recovery, particularly across television. Our projected first quarter revenue for the March 2007 quarter shows growth for both television and radio. Accordingly, we remain optimistic of an improvement in the second half.

At Channel Nine Adelaide the significant cost savings associated with AFL broadcasts and Commonwealth Games coverage in the prior corresponding period, and the benefit of our more favourable affiliation agreement with Nine, will more than offset our anticipated loss in revenue share.

Within radio, we expect a continuation of the current solid performance from all of our stations.

Southern Star is expected to trade consistently. The Australian drama category remains difficult, but international sales and productions remain positive.

## Digital Media

In late 2006 the company established Southern Cross View Pty Limited to bring together the digital assets of our radio, television and production businesses. The core focus is to bring to market products that enable Southern Cross to have a significant online presence that complements the existing distribution channels and is profitable.

In particular Southern Cross View will:

- Aggregate our existing online content offerings;
- Create new content for multiple platforms, including the internet, datacasting and ultimately mobile devices;
- Build deeper relationships with our customers by delivering a cross platform offering;
- Create online communities that will self-generate content through online forums and blogs; and
- Create profitable businesses that enhance and expand the group.

To achieve this we have developed three major pillars within Southern Cross View.

1. [www.mytalk.com.au](http://www.mytalk.com.au)

Southern Cross Broadcasting's stable of rich media assets in radio and television reach a potential 94% of the population and provide an extensive range of national, regional and local news and current affairs across Australia. Through Mytalk we are extending the distribution channels of our content by aggregating it into an online portal designed to capture new audiences and revenue streams. Mytalk will feature news from all sources and local content in 36 markets throughout metropolitan and regional Australia.

In an innovative Australia first, Southern Cross will provide multi-platform access to Mytalk extending the service from the internet to our television viewers throughout Australia by programming the content on digital television channels. Technically, this will be a localised datacasting service that viewers in most cities in Australia will switch to for updates on news and matters of local interest.

There are four main content groups for the Mytalk internet and datacasting services:

Homepage	Radio and TV Homepages	User Generated Content	Content Integration Partners
←-----Listen Live (radio stream of choice) -----→			
News Headlines	Podcasts of radio programs	Forums	Retail
Sports News (including live scores)	Video	Blogs	Directories
Weather	Station Guide	Polls	Classifieds
TV & Radio Highlights	TV Guide	Hot Topics	Personals
Hot Topics		Competitions	
Forum Highlights		Station promotions	

2. [www.youplay.com](http://www.youplay.com)

Southern Cross View has entered into an exclusive joint venture with leading puzzle and game publisher, Lovatts Publications (70,000 existing puzzles and games), to further develop quiz and puzzle based websites. Our objective is to bring to market a casual game play site that leverages community and social networking. The site will utilise existing game show and participation television assets of Southern Star, combined with the marketing and promotion capability of Southern Cross Broadcasting's media outlets.

3. Southern Star Group Development

Continue to develop and bring to market existing websites that enhance the earnings capability of Southern Star's well known television brands, in particular Big Brother and Ready Steady Cook, as well as the development of new interactive offerings based on a range of new game shows, to enhance the earnings of the Endemol Southern Star joint venture.

We have already received strong endorsements from some of our key advertising agency clients, so we are confident about the commercial success of Southern Cross View.

Mytalk and YouPlay will be launched in April 2007.

### **Media Laws**

The government has announced a relaxation of the existing restrictions on foreign ownership and cross-media ownership subject to safeguards that will ensure no fewer than five independent "voices" remain in metropolitan markets and four in regional markets. Proclamation is expected on a date to be determined in 2007.

Southern Cross continues to explore opportunities to enhance shareholder wealth in this current changing media environment and has engaged the services of external and internal advisers to assist in progressing a range of merger and acquisition initiatives.

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) LIMITED**  
ABN 86 006 186 974

**HALF-YEAR REPORT - APPENDIX 4D  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

**This Half Year Report is provided to the Australian Stock Exchange (ASX) under  
ASX Listing Rule 4.2A.3**

Current Reporting Period: Half-Year ended 31 December 2006  
Previous Corresponding Period: Half-Year ended 31 December 2005

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

<b>REVENUE AND NET PROFIT/(LOSS)</b>				\$A'000
Revenues from continuing operations	Up	0.5%	to	295,276
Profit from continuing operations attributable to members	Up	10%	to	31,601
Net profit for the period attributed to members	Up	10%	to	31,601

	<b>DIVIDENDS (DISTRIBUTIONS)</b>	
	Amount per security	Franked amount per security
Interim dividend	37 cents	37 cents
Previous corresponding period	34 cents	34 cents
Record date for determining entitlements to the dividend	<input type="text" value="21 March 2007"/>	
Payment date of interim dividend	<input type="text" value="30 March 2007"/>	

**BRIEF EXPLANATION OF REVENUE, NET PROFIT AND DIVIDENDS (DISTRIBUTIONS):**

Refer Media Release

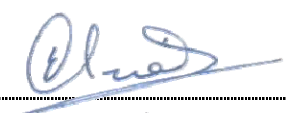
<b>NET TANGIBLE ASSETS PER SECURITY</b>	December 2006	December 2005
	\$A	\$A
Net tangible assets per security	-0.13	-2.12
Net tangible assets, including broadcasting licenses, per security	7.79	7.00

**HALF-YEAR REPORT - APPENDIX 4D  
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2006, CONTINUED...**

<b>DIVIDENDS</b>	December 2006	December 2005
<b>Interim Dividends</b>		
Total dividend per security	37 cents	34 cents
Total dividend distributions (\$'000)	26,793	21,409
<b>Other disclosures in relation to dividends</b>		
The interim dividend of 37 cents per ordinary share, payable on 30 March 2007, will be fully franked at 30%. There is no amount contained within the securities that relates to foreign source dividends.		
The interim dividend has not been provided for in the accounts, in accordance with the Accounting Standard AASB 137 "Provisions, Contingent Liabilities and Contingent Assets".		
<b>Dividend Reinvestment Plans</b>		
Southern Cross Dividend Reinvestment Plan has been suspended in respect of the interim dividend payable on 30 March 2007		

<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	
	December 2006	December 2005	December 2006	December 2005
	%	%	\$'000	\$'000
Homebush Transmitters Pty Ltd	50.00	50.00	10	13
Gold Coast Translators Pty Ltd	25.00	25.00	9	17
Regional TAM Pty Ltd	35.71	35.71	1	1
Tasmanian Digital Television Pty Ltd	50.00	50.00	-	-
Perth FM Facilities	33.00	33.00	-	8
Southern Star Endemol Pty Ltd	49.00	49.00	2,094	2,146
Photolibrary Pty Ltd	46.60	46.60	-	37
Southern Star Golden Globe Pty Ltd	50.00	50.00	-	(251)
			2,114	1,971

<b>INFORMATION ON AUDIT OR REVIEW</b>
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.
X The accounts have been subject to review.
The accounts have not yet been audited or reviewed.
<b>Description of any or any likely dispute or qualification of the accounts during or post audit or review.</b>
Nil

Signed here:  Date: 22 February 2007

Print name Edward Chia  
 Company Secretary

## **SOUTHERN CROSS BROADCASTING (AUSTRALIA) LIMITED**

### **DIRECTORS' REPORT**

The Directors of Southern Cross Broadcasting (Australia) Limited submit the following report in respect of the half-year ended 31 December 2006.

#### **Directors**

The names of the Directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

John C Dahlsen (Chairman)  
Anthony E Bell (Managing Director)  
Geoffrey D Allen  
Neil R Balnaves  
Charles G Clark  
Marina Darling  
David R Kingston\*  
Colin J Smith

\* Mr. David R Kingston was on "leave of absence" from 16 February 2007 until the date of this report.

#### **Principal Activities**

The principal continuing activities of the consolidated entity during the financial half-year were the operations of commercial television and radio stations and television production and distribution.

#### **Results**

The consolidated profit of the consolidated entity for the financial half-year was \$31,601,000 after income tax and outside equity interests.

#### **Review of Operations**

The consolidated entity derived a 2.9% growth in net profit excluding significant items and interest on convertible preference shares on sales revenue growth of 0.3%. The trading result included the following material factors:

- Sales revenue from our Television Division declined 4.7% reflecting a soft advertising market and the adverse impact of the national ratings and revenue share performance of both the Ten and Nine networks. Market revenue for Regional Television grew only 2.2 % and the Adelaide television market was down 5.3%. The Television Division's earnings were down 7.2% and operating costs were flat for the half year.
- Radio Division's earnings were up 16.9 % on revenue growth of 3.7%, outstripping the metropolitan radio market revenue growth of 0.1%;
- Southern Star's revenue was up 10% and earnings were up 15%. Increased contributions from overseas operations were partially offset by foreign currency losses caused by the strengthening of the Australia dollar during the half year,

- The previous corresponding period results included interest on convertible preference shares of \$2,258,000, now no longer applicable upon the conversion of all preference shares to ordinary shares on 31 March 2006.

#### **Auditor's Independence Declaration**

A statement of independence has been provided by our auditor, Ernst & Young, and follows the Directors' Report.

#### **Rounding of Amounts**

The amounts contained in this report and in the half-year financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company by ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the Directors.

A handwritten signature in blue ink, appearing to read 'Anthony E Bell', is written across the page.

Anthony E Bell  
Director

Melbourne, 22 February 2007

**SOUTHERN CROSS BROADCASTING (AUSTRALIA) LIMITED**  
A.B.N. 86 006 186 974

**INCOME STATEMENT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	Note	Consolidated	
		December	December
		2006	2005
		\$'000	\$'000
<b>Revenue</b>			
Sales revenue		287,395	286,517
Finance income	2(d)	695	605
Other operating revenue		7,186	6,724
		<u>295,276</u>	<u>293,846</u>
<b>Other Income</b>			
Other Income	2(a)	2,329	1,285
Programming & transmission expenses		(110,685)	(114,293)
Film & television production & distribution expenses		(54,778)	(52,301)
Administration expenses		(39,493)	(35,263)
Sales & marketing expenses		(42,703)	(42,686)
		<u>49,946</u>	<u>50,588</u>
<b>Profit from operations before tax and finance costs</b>			
Finance costs	2(d)	(7,000)	(9,168)
Share of net profits of associates		2,114	1,971
		<u>45,060</u>	<u>43,391</u>
<b>Profit before income tax</b>			
Income tax expense		(13,469)	(14,553)
		<u>31,591</u>	<u>28,838</u>
<b>Profit after tax from operations</b>			
(Profit)/Loss attributable to minority interest		10	(8)
		<u>31,601</u>	<u>28,830</u>
<b>Net profit attributable to members of the parent</b>			

		Consolidated	
		December	December
		2006	2005
		cents	cents
Basic earnings per share		43.99	46.16
Diluted earnings per share		43.50	44.41
Dividends (paid and proposed) per share	3	71	67

**SOUTHERN CROSS BROADCASTING (AUSTRALIA) LIMITED**  
A.B.N. 86 006 186 974

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2006**

	Note	Consolidated	
		December 2006 \$'000	June 2006 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		37,229	28,862
Trade and other receivables		128,624	135,897
Inventories - Program Rights and Copyrights		15,100	12,537
Derivatives		2,629	1,862
Other assets		12,986	10,082
<b>Total current assets</b>		<b>196,568</b>	<b>189,240</b>
<b>Non-current assets</b>			
Trade and other receivables		1,562	1,521
Inventories - Program Rights and Copyrights		10,964	12,744
Investments in associates		6,013	3,899
Available-for-sale financial investments		4,551	1,852
Property, plant and equipment	12	153,535	158,486
Deferred tax assets		17,444	19,804
Television and radio licences		573,992	573,992
Other intangible assets		78,193	78,071
Other assets		11,060	11,624
<b>Total non current assets</b>		<b>857,314</b>	<b>861,993</b>
<b>Total assets</b>		<b>1,053,882</b>	<b>1,051,233</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		104,999	119,343
Interest-bearing loans and borrowings		16,536	3,690
Current tax liabilities		6,044	5,357
Provisions		13,219	13,113
Deferred government grants		6,729	3,168
<b>Total current liabilities</b>		<b>147,527</b>	<b>144,671</b>
<b>Non-current liabilities</b>			
Trade and other payables		10,337	12,165
Interest-bearing loans and borrowings		194,234	210,541
Deferred tax liabilities		36,191	35,825
Provisions		6,796	7,397
Deferred government grants		15,597	20,742
Retirement benefit obligations		600	975
<b>Total non current liabilities</b>		<b>263,755</b>	<b>287,645</b>
<b>Total liabilities</b>		<b>411,282</b>	<b>432,316</b>
<b>Net assets</b>		<b>642,600</b>	<b>618,917</b>
<b>Equity</b>			
Issued capital	4	583,431	570,362
Reserves		2,318	(1,124)
Retained earnings		56,384	49,203
<b>Total parent interests</b>		<b>642,133</b>	<b>618,441</b>
<b>Total minority interests</b>		<b>467</b>	<b>476</b>
<b>Total equity</b>		<b>642,600</b>	<b>618,917</b>

**SOUTHERN CROSS BROADCASTING (AUSTRALIA) LIMITED**  
A.B.N. 86 006 186 974

**STATEMENT OF RECOGNISED INCOME AND EXPENSE  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	<b>Consolidated</b>	
	<b>December 2006 \$'000</b>	<b>December 2005 \$'000</b>
<b>Items recognised directly in equity:</b>		
Valuations of available-for-sale assets taken to equity (net)	1,313	(614)
Fair value adjustment to interest rate swaps (net)	537	-
Adjustment to defined benefit liability based on actuarial gain (net)	244	140
Increase/(decrease) in foreign currency reserve	376	(410)
<b>Net income/(expense) recognised directly in equity</b>	<b>2,470</b>	<b>(884)</b>
<b>Profit for the period</b>	<b>31,591</b>	<b>28,838</b>
<b>Total recognised income and expense for the period</b>	<b>34,061</b>	<b>27,954</b>
Attributable to:		
Members of the parent	34,051	27,962
Minority interest	10	(8)
	<b>34,061</b>	<b>27,954</b>

**SOUTHERN CROSS BROADCASTING (AUSTRALIA) LIMITED**  
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**CASH FLOW STATEMENT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	Note	Consolidated	
		December 2006 \$'000	December 2005 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		319,352	326,948
Payments to suppliers and employees		(270,744)	(284,442)
Interest received		734	605
Borrowing costs paid		(4,524)	(6,630)
Income taxes paid		(10,993)	(13,704)
Other		(16)	-
<b>Net cash flows from operating activities</b>		<b>33,809</b>	<b>22,777</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	12	(7,570)	(10,384)
Purchase of controlled entities, net of cash acquired	8	-	(11,260)
Proceeds from sale of controlled entities	8	13	-
Proceeds from sale of property, plant and equipment	12	4,499	287
Proceeds from sale of investments		-	2,962
Payments for investments		(2,021)	(594)
Loan advanced (to)/from associated company		8,117	6,816
Loan repayments received		121	-
Other		(756)	-
<b>Net cash flows from investing activities</b>		<b>2,403</b>	<b>(12,173)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares or options		6,071	4,781
Repayment of finance lease principal		(278)	(679)
Share issue costs paid		(29)	-
Dividends paid		(17,404)	(14,265)
Interest paid to convertible preference shareholders		-	(1,542)
Proceeds from borrowings		-	29,000
Repayment of borrowings		(20,000)	(46,750)
Other		(3)	(19)
<b>Net cash flows from financing activities</b>		<b>(31,643)</b>	<b>(29,474)</b>
Net increase/(decrease) in cash and cash equivalents		4,569	(18,870)
Net foreign exchange differences		(256)	184
Cash and cash equivalents at beginning of the period		28,862	40,258
<b>Cash and cash equivalents at end of period</b>	9	<b>33,175</b>	<b>21,572</b>

**SOUTHERN CROSS BROADCASTING (AUSTRALIA) LIMITED**  
A.B.N. 86 006 186 974

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

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

The financial report of Southern Cross Broadcasting (Australia) Limited and the entities it controlled ("the Group") for the half-year ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 22 February 2007. Southern Cross Broadcasting (Australia) Limited is a company incorporated in Australia and limited by shares, which are publically traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in note 6.

The half-year financial report does not include all the notes of the type normally included with the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report of Southern Cross Broadcasting (Australia) Limited for the year ended 30 June 2006.

It is also recommended that the half-year financial report be considered together with any public announcements made by the Group during the half-year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

**(a) Basis of preparation**

The half-year consolidated financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards, including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements. The half-year financial report has been prepared on a historical cost basis except for available-for-sale financial assets and derivative financial instruments that have been measured at fair value.

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

**(b) Basis of consolidation**

The half-year consolidated financial statements comprise the financial statements of the Group as at 31 December 2006. Where entities are not controlled throughout the financial half-year, the consolidated results include the results for that part of the year during which control existed. All intercompany balances and transactions, including unrealised profits arising within the consolidated entity, have been eliminated in full.

Acquisitions of controlled entities are accounted for using the purchase method of accounting, while investments in associates are accounted for using the equity method of accounting.

Where controlled entities or associates have adopted accounting policies or a reporting period that differs to the Group, adjustments and/or interim accounts are used to bring those financial statements substantially into line with the Group.

**(c) Changes in accounting policies**

The accounting policies applied are consistent with the most recent annual financial report for the year ended 30 June 2006.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Consolidated	
	December 2006 \$'000	December 2005 \$'000
<b>NOTE 2 REVENUES, INCOME AND EXPENSES</b>		
<b>(a) Other Income</b>		
Profits on sale of property, plant & equipment	639	26
Foreign exchange gains	106	617
Government grants	<u>1,584</u>	<u>642</u>
	<u><u>2,329</u></u>	<u><u>1,285</u></u>
<b>(b) Other Expenses</b>		
Bad debts written off and provision for doubtful debts	264	386
Annual Leave entitlements	1,595	1,468
Long Service Leave entitlements	443	308
Employee on costs entitlements	91	(15)
Operating lease rentals	4,495	3,898
Loss on sale of property, plant & equipment	53	85
Foreign exchange losses	1,046	84
Defined benefit superannuation expense	435	507
Defined contribution superannuation expense	3,801	3,752
Amortisation of executive options	972	864
<b>(c) Depreciation and Amortisation</b>		
Amortisation of leased assets	214	251
Amortisation of leasehold improvements/premises	99	119
Depreciation of buildings	583	559
Depreciation of plant and equipment	<u>7,794</u>	<u>7,908</u>
	<u><u>8,690</u></u>	<u><u>8,837</u></u>
<b>(d) Finance costs/income</b>		
Interest paid or payable	6,577	6,640
Interest paid on convertible preference shares	-	2,258
Loan facility fees	363	196
Finance lease interest charges	60	74
Total finance costs	<u>7,000</u>	<u>9,168</u>
Interest received or receivable	<u>695</u>	<u>605</u>
Total finance income	<u><u>695</u></u>	<u><u>605</u></u>
<b>(e) Significant items</b>		
Profit before income tax includes the following significant revenues and expenses where disclosure is relevant in explaining the performance of the entity:		
Redundancies and rationalisation	572	-

**SOUTHERN CROSS BROADCASTING (AUSTRALIA) LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

		<b>Consolidated</b>	
		<b>December</b>	<b>December</b>
		<b>2006</b>	<b>2005</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>NOTE 3</b>	<b>DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES</b>		
<b>Dividends paid during the half-year on ordinary shares:</b>			
	Final franked dividends for the financial year 30 June 2006 at 34 cents (2005: 33 cents)	<u>24,422</u>	<u>20,562</u>
<b>Dividends proposed and not recognised as a liability</b>			
	Interim franked dividends for the half-year 31 December 2006 at 37 cents (2005: 34 cents)	<u>26,793</u>	<u>21,409</u>

		<b>Consolidated</b>	
		<b>December</b>	<b>June</b>
		<b>2006</b>	<b>2006</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>NOTE 4</b>	<b>MOVEMENTS IN ISSUED CAPITAL</b>		
	Ordinary shares fully paid	583,424	570,355
	Ordinary shares paid to 2.5 cents	7	7
	Ordinary shares paid to 1 cent	-	-
	Convertible preference shares fully paid	-	-
		<u>583,431</u>	<u>570,362</u>

		<b>Consolidated</b>	
		<b>December</b>	<b>June</b>
		<b>2006</b>	<b>2006</b>
		<b>Number</b>	<b>Number</b>
<b>Movements in ordinary shares</b>			
	On issue at the beginning of the period	71,308,152	62,039,930
	Issue of shares in lieu of cash dividends	548,525	1,099,119
	Issue of shares upon exercise of executive options	556,667	500,000
	Issue of shares upon conversion of preference shares	-	7,669,103
	On issue at the end of the period	<u>72,413,344</u>	<u>71,308,152</u>
<b>Movements in ordinary shares paid to 2.5 cents</b>			
	On issue at the beginning and end of the period	<u>272,300</u>	<u>272,300</u>
<b>Movements in ordinary shares paid to 1 cent</b>			
	On issue at the beginning and end of the period	<u>30,000</u>	<u>30,000</u>
<b>Movements in convertible preference shares for the year</b>			
	On issue at the beginning of the period	-	6,842,714
	Reclassification as debt under AIFRS	-	(6,842,714)
	On issue at the end of the period	<u>-</u>	<u>-</u>

- (a) The Dividend Reinvestment Plan provides shareholders with an opportunity to take shares in lieu of cash dividends. 548,525 ordinary shares were issued at \$12.79 in respect of the 2006 final dividend at the prevailing market price at the time of issue.
- (b) During the current financial half year, 556,667 executive options were exercised in accordance with the rules of the Southern Cross Executive Option Plan.

**NOTE 5 CONTINGENCIES**

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

Consolidated	
December 2006 \$'000	December 2005 \$'000

NOTE 6 SEGMENT INFORMATION

Industry Segments

The Group's operating companies are organised and managed separately according to the nature of the services they provide within three predominant segments; television broadcasting, radio broadcasting, and film & television production & distribution. The film & television production & distribution segment includes revenue and expenses within the Southern Star Group. The other segment includes revenue and expenses associated with Telecasters Communications, a broadband network operator, Satellite Music Australia, a provider of digital music distribution to subscribers, and the parent entity.

Sales Revenue

Television	159,046	166,825
Radio	55,517	53,518
Film & television production & distribution	69,092	62,824
Other	3,740	3,350
	<u>287,395</u>	<u>286,517</u>

Other Operating Revenue

Television	3,162	2,893
Radio	667	594
Film & television production & distribution	579	444
Other	2,778	2,793
	<u>7,186</u>	<u>6,724</u>

Total Segment Revenue

	<u>294,581</u>	<u>293,241</u>
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Finance income

695	605
-----	-----

Total Revenue

<u>295,276</u>	<u>293,846</u>
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Results

Television	35,986	38,767
Radio	13,248	11,328
Film & television production & distribution	992	750
Other	(975)	(862)
	<u>49,251</u>	<u>49,983</u>

Share of associates' net profit/(loss) equity accounted

Television	9	18
Radio	11	20
Film & television production & distribution	2,094	1,932
Other	-	1
	<u>2,114</u>	<u>1,971</u>

Finance income

695	605
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Finance costs

(7,000)	(9,168)
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Profit before income tax expense

<u>45,060</u>	<u>43,391</u>
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NOTE 7 CASH FLOW INFORMATION

Non cash financing and investing opportunities

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

182	291
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These acquisitions are not reflected in the cash flows statement.

Under the terms of the Dividend Reinvestment Plan for the half-year 31 December 2006 \$7,018,000 (2005: \$7,013,000) of dividends were paid via the issue of 548,525 shares (2005: 476,852).

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

Consolidated  
December  
2006  
\$'000

NOTE 8 BUSINESS COMBINATIONS

DECEMBER 2006

Controlled entities acquired

No entities were acquired in this financial period.

Controlled entities disposed

Central Online Pty Ltd was sold to Clear Networks Pty Ltd effective 31 October 2006.

The amounts of assets and liabilities disposed by major class are:

Trade and other receivables	5
Other assets and liabilities	3
	<u>8</u>
Cash consideration	<u>13</u>
Inflow of cash to dispose of the entity	<u>13</u>

DECEMBER 2005

Controlled entities acquired

On 1 July 2005, the Group acquired a 100% interest in Satellite Music Australia, an unlisted company based in Australia specialising in 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.

	Satellite Music Australia		Darrall Macqueen	
	Recognised on acquisition \$'000	Carrying value \$'000	Recognised on acquisition \$'000	Carrying value \$'000
The amounts of assets and liabilities acquired by major class are:				
Cash and cash equivalents	38	38	1,164	1,164
Trade and other receivables	414	439	791	791
Property, plant and equipment	1,256	3,742	56	56
Goodwill	10,804	1,100	4,423	-
Trade and other payables	(1,420)	(784)	(1,583)	(1,583)
	<u>11,092</u>	<u>4,535</u>	<u>4,851</u>	<u>428</u>
Minority Interest	-		(107)	
	<u>11,092</u>		<u>4,744</u>	
Cash	9,417		3,045	
Accrual for additional costs	560		-	
Deferred settlement amounts	1,115		1,699	
Total consideration	<u>11,092</u>		<u>4,744</u>	
Cash consideration	9,417		3,045	
Cash balance acquired	(38)		(1,164)	
Outflow of cash to acquire the entity	<u>9,379</u>		<u>1,881</u>	

Controlled entities disposed

No entities were disposed of in this financial period.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

Consolidated	
December 2006	December 2005
\$'000	\$'000

**NOTE 9 CASH AND CASH EQUIVALENTS**

For the purposes of the Cash Flow Statement, cash and cash equivalents are comprised of the following:

Cash at bank and in hand	37,229	21,589
Short-term deposits	-	2
Bank overdraft	<u>(4,054)</u>	<u>(19)</u>
	<u>33,175</u>	<u>21,572</u>

**NOTE 10 SHARE-BASED PAYMENT PLAN**

Under the Executive Performance Plan the following share options were exercised:

- (i) September 2006, 435,000 at the exercise price of \$11.17 and 66,667 at the exercise price of \$9.10.
- (ii) October 2006, 55,000 at the exercise price of \$11.17.

These exercise prices were equal to the market price of the shares on the date of grant.

In November 2006, 211,700 share options were granted under the Executive Performance Plan. These options were granted as a long term incentive component of executives' remuneration and the exercise price is \$Nil. The Performance Rights will vest if Total Shareholder Return performance hurdles are achieved and 50% are exercisable if vested on or after 16 November 2009 and the balance of 50%, 16 November 2010. Both tranches expire on 16 November 2011. The grant to the Managing Director was approved by shareholders at the Company's Annual General Meeting held on 16 November 2006.

**NOTE 11 INTEREST-BEARING LOANS AND BORROWINGS**

During the half-year period the Group repaid \$20,000,000 of interest bearing debt on the revolving cash advance facility.

**NOTE 12 PROPERTY, PLANT AND EQUIPMENT**

**Acquisitions and disposals**

During the half-year ended 31 December 2006, the Group acquired assets with a cost of \$7,570,000 (2005: \$10,384,000).

Assets with a net book value of \$3,913,000 were disposed of by the Group during the half-year ended 31 December 2006 (2005: \$346,000), resulting in a gain on disposal of \$586,000 (2005: -\$59,000).

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

**NOTE 13 RELATED PARTY DISCLOSURES**

The following table provides the total amount of transactions that were entered into with related parties for the half-year ended 31 December 2006 and 2005:

		Sales to related parties \$'000	Purchases from related parties \$'000	Amounts owed by related parties \$'000	Amounts owed to related parties \$'000
Associate:					
Endermol	<b>2006</b>	529	-	-	11,779
	2005	416	-	-	9,743
Homebush Transmitters	<b>2006</b>	-	95	100	-
	2005	-	95	1,116	-
Gold Coast Translators	<b>2006</b>	34	-	472	-
	2005	31	-	522	-
Tasmanian Digital Television	<b>2006</b>	-	222	1,918	-
	2005	-	187	1,448	-
Regional TAM	<b>2006</b>	-	-	2	-
	2005	-	-	2	-
Key management personnel of the Group:					
Other directors' interests	<b>2006</b>	-	33	-	-
	2005	-	17	-	-

*Terms and conditions of transactions with related parties*

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Outstanding balances are period-end are unsecured, interest free and settlement occurs in cash.

For the half-year ended 31 December 2006, the Group has not made any allowance for doubtful debts relating to amounts owed by related parties (2005: \$nil).

**NOTE 14 EVENTS AFTER THE BALANCE SHEET DATE**

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

**SOUTHERN CROSS BROADCASTING (AUSTRALIA) LIMITED**

**DIRECTORS' DECLARATION**

In the opinion of the Directors:

- a) the Financial Statements and Notes of the consolidated entity:
  - (i) give a true and fair view of the financial position as at 31 December 2006 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting", and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with the resolution of the Directors.



Anthony E Bell  
Director

Melbourne, 22 February 2007

To the members of Southern Cross Broadcasting (Australia) Limited

## **Report on the Half-Year Condensed Financial Report**

We have reviewed the accompanying half-year financial report of Southern Cross Broadcasting (Australia) Limited and the entities it controlled during the half-year, which comprises the balance sheet as at 31 December 2006, and the income statement, statement of recognised income and expense, and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory financial reporting requirements in Australia. As the auditor of Southern Cross Broadcasting (Australia) Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

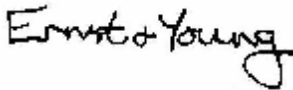
### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Southern Cross Broadcasting (Australia) Limited and the entities it controlled during the half-year, is not in accordance with:

- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



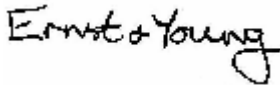
Ernst & Young



Craig A Boyhan  
Partner  
Melbourne  
22 February 2007

## **Auditor's Independence Declaration to the Directors of Southern Cross Broadcasting (Australia) Limited**

In relation to our review of the financial report of Southern Cross Broadcasting (Australia) Limited for the half-year ended 31 December 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Craig A Boyhan  
Partner  
22 February 2007