



MEDIA RELEASE 23 August 2007

SOUTHERN CROSS BROADCASTING DELIVERS A CONTINUING NET PROFIT OF \$62.1M, UP 9.7%

Year Ended 30 June	2007 \$m	2006 \$m	
Sales Revenue*	514.8	461.7	+ 11.5%
EBITDA*	116.6	107.9	+ 8.0%
EBIT*	100.7	91.8	+ 9.7%
Profit before tax*	88.0	79.6	+ 10.4%
Continuing Net profit*	62.1	56.6	+ 9.7%
Non-recurring Items:			
Significant items (after tax)	(2.1)	(2.6)	
Significant tax items	(2.0)	-	
Interest on CPS	-	(4.6)	
Net profit from discontinuing operations	2.6	0.8	
Reported profit for the year	60.5	50.2	+ 20.5%
Final Dividend Per Share	37 ¢	34 ¢	+ 8.8%

* Before Discontinuing operations (Ch 9 Adelaide), Significant Items, Interest on CPS

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

Southern Cross Broadcasting (Australia) Limited today announced a continuing net profit after tax from continuing operations of \$62.1m for the year ended 30 June 2007, an increase of 9.7%. EBIT from continuing operations increased 9.7% and EBITDA increased by 8.0%. After deducting non-recurring items and including the results of discontinued operations, the reported net profit after tax was \$60.5m, an increase of 20.5%.

The non-recurring items were:

- Significant items of \$4.1m after tax including:
 - staff redundancies;
 - corporate transaction costs associated with merger and acquisition activity; and
 - deferred tax adjustments associated with capital gain and tax losses.

At an operating level, the result reflected the following:

- An improved television and radio advertising market during the year. The regional television market grew 5.2% and metropolitan radio market grew 3.6%;

- A decline in revenue market share within our regional television division which reflected the metropolitan trend;
- A radio division which performed strongly and delivered robust earnings growth; and
- Strong earnings growth from Southern Star.

Southern Cross Broadcasting's Chairman, Mr John Dahlsen, said "In a year of improved national advertising market conditions, we are pleased that all of our core businesses in regional television, radio and Southern Star have delivered quality earnings growth.

"Directors have declared a final dividend of 37 cents per share, which takes the full year dividend to 74 cents, an 8.8% increase on prior year."

SCHEME OF ARRANGEMENT

On 3 July 2007, the company announced that its directors have agreed to propose a Scheme of Arrangement whereby Macquarie Media Group Limited (MMG) will acquire all of the issued shares in the company they do not currently own for \$17.41 per share, comprising \$17.05 cash and a special fully franked dividend of \$0.36. MMG has entered into an arrangement whereby, following implementation of the Scheme, Fairfax Media will acquire from MMG the metropolitan radio business, Southern Star and associated businesses, leaving MMG with regional television and associated businesses. The proposed Scheme is subject to certain conditions precedent and approval by the company's shareholders at a Scheme Meeting expected to be held in October 2007. The board of SCB recommends the offer in the absence of a superior proposal and pending confirmation from an Independent Expert that the transaction is in the best interests of SCB shareholders.

DIVIDENDS

Directors have declared a fully franked final dividend of 37 cents per share, up 8.8% on the 34 cents paid in the previous corresponding period. This brings total dividend for the year to 74 cents per share (previous year 68 cents per share).

The company's Dividend Reinvestment Plan will remain suspended in respect of the final dividend payable on 28 September 2007.

OPERATIONS

Reporting on the company's operations, the Managing Director Mr 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 satisfactory revenue shares. Southern Star and our radio division delivered earnings well above the previous year levels.

Segment Revenue and EBIT

	Sales Revenue			EBIT*		
	Jun-07 (A\$m)	Jun-06 (A\$m)		Jun-07 (A\$m)	Jun-06 (A\$m)	
Continuing operations:						
Television	237.4	229.2	+ 3.6%	64.8	62.4	+ 3.9%
Radio	107.6	103.9	+ 3.6%	23.1	18.3	+ 26.3%
Southern Star	162.5	121.4	+33.9%	16.1	12.2	+ 32.3%
Other	7.3	7.2	+ 1.4%	(3.3)	(1.0)	
Total	514.8	461.7	+11.5%	100.7	91.8	+9.7%

* Includes contribution from Associates and excludes significant items

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

Television

The regional television revenue market grew strongly in the last quarter resulting in annual growth of 5.2%. The standout categories amongst advertisers were: Automotive, Finance and Insurance, Government and Fast Moving Consumer Goods. Our television revenue growth of 3.6% was below market growth due to a loss of revenue share attributable to a decline in national ratings and revenue share from our principal program provider, which was, to an extent, offset by the better performance of our Seven network affiliated stations.

Radio

Our radio division performed well, achieving revenue growth of 3.6%, which was in line with market growth. Earnings grew by 26.3%, with a standout performance from 96FM and 6PR in Perth. These stations achieved combined double digit revenue growth and combined profit growth of more than 40%.

3AW has consistently rated No. 1 in Melbourne for more than ten years and remains the highest profit contributor within our radio division.

2UE's profitability has improved in the current financial year following significant cost savings from an operational restructure implemented last year.

4BC and 4BH in Brisbane also outperformed the market in revenue growth.

Television Production and Distribution

Southern Star's 32.3% 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 Pty Limited.

- Our UK production businesses continue to perform 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, Deal Or No Deal, 1 vs 100 and a number of new programs in pre-production and development.
- Our International distribution business remains robust, 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 included the acquisition of further catalogue rights from UK producer Coastal and the payments of deferred settlements relating to Southern Star and Satellite Music.

OUTLOOK

Core Businesses

We are optimistic that the television and radio advertising revenue markets will grow in the current half. The market is robust and is expected to remain firm over coming months. Television bookings are longer term than they have been for twelve months, but despite a growing radio market, forward bookings remain short term.

With respect to Southern Star operations, we expect the Australian drama category to remain difficult, but international sales and productions to remain solid.

Digital Media

Southern Cross Broadcasting has launched www.mytalk.com.au.

Mytalk is a home page with national and local news, sports and financial information. The site draws on content from Southern Cross Broadcasting's extensive media outlets which cover a potential 88% of Australia's population. Interactivity is provided via forums and blogs, extending talkback radio to the web nationally. Page impressions continue to grow and it is expected that the advertising sales will expand with consumer interest.

The company has also recently launched YouPlay.com.au, a casual game play site that incorporates community and social networking features. YouPlay is a joint venture with Lovatts Publications, a leading puzzle publisher.

DISCONTINUING OPERATIONS

On 23 July 2007, we completed the sale of Channel 9 Adelaide for a cash consideration of \$105 million (before working capital adjustments).

In the current year's financial statements, the financial performance and financial position of Channel 9 Adelaide were presented and disclosed as discontinuing operations. Channel 9 Adelaide's profit after tax was \$2.6 million (2006: \$0.8 million) and net assets totalled \$88.4 million.

For further information: Mr Tony Bell, Managing Director or
Mr Stuart Boxer, Chief Financial Officer
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Southern Cross Broadcasting (Australia) Limited
ABN 86 006 186 974

Appendix 4E

Preliminary final report For the year ended 30 June 2007

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 2007
Previous Reporting Period: Financial Year ended 30 June 2006

Results for announcement to the market

Revenue and Net Profit/(Loss)	Percentage increase/(decrease)	to	Current period \$A'000
Revenue from continuing operations	11%	to	527,149
Profit from continuing operations after tax	17%	to	57,972
Profit from discontinued operations after tax	232%	to	2,563
Net profit attributable to members	21%	to	60,431

Dividends (Distributions)	Amount per security	Franked amount per security
Final Dividend	37 cents	37 cents
Previous corresponding period	34 cents	34 cents
Record date for determining entitlements to the dividend (distribution)	19 September 2007	
Date the dividend (distribution) is payable	28 September 2007	

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

Refer Media Release

Net Tangible Assets per Security	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$1.05	(\$0.46)
Net tangible asset backing including broadcasting licences per ordinary security	\$7.81	\$7.58

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

There was no control gained over entities during the current period

Loss of control over entities

Central Online Pty Limited

Date control lost
31 October 2006

This entity has made 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	2007	28/09/07	37 cents	-
	2006	13/10/06	34 cents	-
Interim Dividend	2007	30/03/07	37 cents	-
	2006	31/03/06	34 cents	-
Total	2007		74 cents	-
	2006		68 cents	-

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

	Current period	Previous corresponding period
Ordinary shares:		
: Fully paid	74 cents	68 cents
: Paid up to 2.5 cents	-	-
: Paid up to 1 cent	-	-
Convertible preference shares	-	68 cents
Other equity instruments	-	-

	Current period \$A'000	Previous corresponding period \$A'000
Interim and final dividend (distribution) on all securities		
(a) Dividends paid during the year		
(i) Current year interim - 37 cents per share fully franked (2006 - 34 cents per share fully franked)	26,793	21,427
(ii) Previous year final - 34 cents per share fully franked (2005 - 33 cents per share fully franked)	24,422	20,562
	<u>51,215</u>	<u>41,989</u>
(b) Dividends proposed and not recognised as a liability - 37 cents per share fully franked (2006 - 34 cents per share fully franked)	<u>26,793</u>	<u>24,245</u>

Any other disclosures in relation to dividends (distributions)

The final dividend payable on 28 September 2007, will be fully franked at 30%. The interim dividend for 2007 and both the interim and final dividend for 2006 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 remains suspended in respect of the final dividend payable on 28 September 2007. The final dividend has not been provided for in the accounts in accordance with accounting standard AASB 137 "Provisions, Contingent liabilities and Contingent assets".

Movement in Retained Earnings

	2007 \$A'000	2006 \$A'000
Balance at beginning of the Year	49,203	35,276
Net profit attributable to members	60,431	50,103
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	-	(415)
Actuarial gain on defined benefits plan	860	745
Tax effect of adjustment to defined benefits liability on actuarial gain	(258)	(223)
Reclassification from asset revaluation reserve	-	4,425
Total available for appropriation	110,236	91,192
Less dividends provided for or paid	(51,215)	(41,989)
Balance at end of Year	<u>59,021</u>	<u>49,203</u>

Details of associates and joint venture entities

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

Equity accounting associates and joint venture entities	Percentage of Ordinary Shares held at the end of the period or at date of disposal		Contribution to net profit	
	2007	2006	2007	2006
	%	%	\$'000	\$'000
Associates				
Homebush Transmitters Pty Ltd	50.00	50.00	1	5
Gold Coast Translators Pty Ltd	25.00	25.00	21	16
Regional TAM Pty Ltd	35.71	35.71	-	2
Tasmanian Digital Television Pty Ltd	50.00	50.00	-	-
Perth FM Facilities Pty Ltd	33.00	33.00	-	8
Photolibary Pty Ltd*	-	46.60	-	-
Southern Star Endemol Pty Ltd	49.00	49.00	6,006	5,907
Southern Star Golden Globe Pty Ltd	-	50.00	-	(191)
You Play Pty Ltd**	50.00	-	-	-
			<u>6,028</u>	<u>5,747</u>

* During the year ended 30 June 2006, all of the consolidated entity's 46.6% interest in the associate was sold.

** During the year ended 30 June 2007, a 50% interest in this associate was acquired for \$1.

Basis of accounts preparation

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

Information on Audit or Review


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

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

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

None.

Signed here:



 Edward Chia
 Company Secretary

Date:

23 August 2007

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated		Parent Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Continuing operations					
Sales revenue	2(a)	514,846	461,676	-	-
Finance revenue	2(a)	1,327	1,454	4,461	3,729
Other operating revenue	2(a)	10,976	12,469	72,664	51,735
Total revenue		527,149	475,599	77,125	55,464
Other income	2(b)	3,095	919	-	15
Programming and transmission expenses		(157,533)	(159,032)	-	-
Film & television, production & distribution expenses		(123,250)	(91,712)	-	-
Administration expenses		(81,893)	(71,591)	(15,851)	(15,383)
Sales and marketing expenses		(74,564)	(70,327)	-	-
Profit from continuing operations before tax, finance costs and share of net profit of associates		93,004	83,856	61,274	40,096
Finance costs	2(b)	(14,085)	(18,204)	(92)	(4,745)
Share of net profit of associates	10	6,028	5,747	-	-
Profit from continuing operations before income tax		84,947	71,399	61,182	35,351
Income tax expense	3	(26,975)	(21,949)	(1,895)	(1,342)
Profit after tax from continuing operations		57,972	49,450	59,287	34,009
Discontinued operations					
Profit after tax from discontinued operations	34	2,563	772	-	-
Profit for the year		60,535	50,222	59,287	34,009
Profit attributable to minority interest		(104)	(119)	-	-
Net profit attributable to members of the parent	5	60,431	50,103	59,287	34,009
Earnings per share					
From continuing and discontinued operations:					
Basic earnings per share (cents per share)	4	83.78	77.30		
Diluted earnings per share (cents per share)	4	82.79	77.47		
Franked dividends (paid and proposed) per share (cents per share)	6	74.00	68.00		

BALANCE SHEET AS AT 30 JUNE 2007

	Note	Consolidated		Parent Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Assets					
Current assets					
Cash and cash equivalents	30	25,442	28,862	7	7
Trade and other receivables	7	137,359	135,897	775	3,609
Inventories	8	6,699	12,537	-	-
Derivatives	33	2,731	1,862	-	-
Current tax assets	3	5,033	-	-	-
Other	9	17,230	10,082	1,639	800
		<u>194,494</u>	<u>189,240</u>	<u>2,421</u>	<u>4,416</u>
Assets of disposal group and non-current assets classified as held for sale	34	125,294	-	-	-
Total current assets		<u>319,788</u>	<u>189,240</u>	<u>2,421</u>	<u>4,416</u>
Non current assets					
Trade and other receivables	7	1,968	1,521	707,196	655,015
Inventories	8	2,969	12,744	-	-
Investments in associates	10	4,072	3,899	-	-
Available-for-sale financial investments	11	3,354	1,852	3,178	1,827
Other financial assets	12	-	-	123,165	123,165
Property, plant and equipment	13	146,103	158,486	26,742	27,231
Deferred tax assets	3	16,159	19,804	2,243	3,581
Television and radio licences	14	489,587	573,992	-	-
Goodwill	15	77,977	78,071	-	-
Other assets	9	14,042	11,624	-	-
Total non current assets		<u>756,231</u>	<u>861,993</u>	<u>862,524</u>	<u>810,819</u>
Total assets		<u>1,076,019</u>	<u>1,051,233</u>	<u>864,945</u>	<u>815,235</u>
Liabilities					
Current liabilities					
Trade and other payables	16	100,066	119,343	230,967	221,295
Interest bearing loans and borrowings	17	5,781	3,690	237	123
Current tax liabilities		22,563	5,357	21,503	4,214
Provisions	18	10,445	13,113	994	828
Deferred government grants	19	10,495	3,168	-	-
		<u>149,350</u>	<u>144,671</u>	<u>253,701</u>	<u>226,460</u>
Liabilities directly associated with disposal group and non current assets classified as held for sale	34	36,930	-	-	-
Total current liabilities		<u>186,280</u>	<u>144,671</u>	<u>253,701</u>	<u>226,460</u>
Non current liabilities					
Trade and other payables	16	1,649	12,165	-	-
Interest bearing loans and borrowings	17	200,603	210,541	-	262
Deferred tax liabilities	3	28,395	35,825	504	565
Provisions	18	4,236	7,397	2,316	3,043
Deferred government grants	19	10,918	20,742	-	-
Retirement benefit obligations	20	278	975	278	975
Total non current liabilities		<u>246,079</u>	<u>287,645</u>	<u>3,098</u>	<u>4,845</u>
Total liabilities		<u>432,359</u>	<u>432,316</u>	<u>256,799</u>	<u>231,305</u>
Net assets		<u>643,660</u>	<u>618,917</u>	<u>608,146</u>	<u>583,930</u>
Equity					
Issued capital	21	583,431	570,362	583,431	570,362
Reserves	22	639	(1,124)	3,870	1,397
Retained earnings	5	59,021	49,203	20,845	12,171
Total parent interests		<u>643,091</u>	<u>618,441</u>	<u>608,146</u>	<u>583,930</u>
Total minority interests		<u>569</u>	<u>476</u>	<u>-</u>	<u>-</u>
Total equity		<u>643,660</u>	<u>618,917</u>	<u>608,146</u>	<u>583,930</u>

STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2007

Note	Consolidated		Parent Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Items recognised directly in equity:				
Fair value adjustment to available-for-sale assets	560	(1,677)	527	(1,677)
Fair value adjustment to interest rate swaps	2,334	397	-	-
Adjustment to defined benefit liability based on actuarial gain	860	745	860	745
Income tax on items taken directly to or transferred from equity	(1,126)	161	(416)	280
Increase/(decrease) in foreign currency reserve	(2,367)	2,653	-	-
Net income/(expense) recognised directly in equity	261	2,279	971	(652)
Profit for the period	60,535	50,222	59,287	34,009
Total recognised income and expense for the year	60,796	52,501	60,258	33,357
Attributable to:				
Members of the parent	60,900	52,620	60,258	34,896
Minority interest	(104)	(119)	-	-
	60,796	52,501	60,258	34,896
Effect of changes in accounting policy:				
Members of the parent	-	(30)	-	(1,174)
Minority interest	-	-	-	-
	-	(30)	-	(1,174)

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

Note	Consolidated		Parent Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash flows from operating activities				
	642,683	620,919	13,856	15,452
	(546,192)	(523,458)	(13,032)	(12,899)
	5,854	5,490	58,500	37,500
	1,327	1,454	4,461	3,729
	(13,700)	(13,641)	(92)	(162)
	(19,381)	(24,826)	565	(1,575)
Net cash flows from operating activities	70,591	65,938	64,258	42,045
Cash flows from investing activities				
	(16,085)	(17,862)	(261)	(2,391)
	-	(11,260)	-	-
	4,560	586	-	85
	-	2,962	-	-
	(8,185)	(5,698)	(823)	(594)
	(3,164)	(570)	(420)	(570)
	1,373	1,315	50	-
	(5,838)	-	(1,198)	-
Net cash flows (used in)/from investing activities	(27,339)	(30,527)	(2,652)	(3,470)
Cash flows from financing activities				
	6,071	5,330	6,071	5,330
	(552)	(759)	(110)	(169)
	(29)	-	(29)	-
	(44,197)	(32,118)	(44,197)	(32,118)
	26,000	36,000	-	-
	(33,000)	(55,500)	-	-
	-	-	(23,341)	(11,618)
Net cash flows used in financing activities	(45,707)	(47,047)	(61,606)	(38,575)
	(2,455)	(11,636)	-	-
	(965)	239	-	-
	28,862	40,259	7	7
Cash and cash equivalents at end of period	25,442	28,862	7	7

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 Basis of preparation of the Financial Report

Summary of significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

(a) Basis of accounting

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared using the historical cost convention except for available-for-sale financial assets and derivative financial instruments which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated in accordance with ASIC Class Order 98/100. The company is an entity to which the class order applies.

(b) Basis of consolidation

The consolidated financial statements of Southern Cross Broadcasting (Australia) Limited ("the Group") include the assets and liabilities of the company and the entities it controlled at the end of the financial year and the results of the company and the entities it controlled during the year. Where entities are not controlled throughout the financial 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 Group, have been eliminated in full.

Acquisitions of controlled entities are accounted for using the purchase method of accounting. In the Parent Company financial statements, investments in subsidiaries are carried at cost less any provision for impairment.

Where controlled entities have adopted accounting policies that differ to the Group, adjustments are used to bring those policies substantially into line with the Group.

(c) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations have not resulted in changes to the Group's accounting policies or the amounts reported for the current or prior years with the exception of financial guarantee contracts (AASB 2005-9 'Amendments to Australian Accounting Standards'). The impact of the change in accounting policies as a result of accounting for financial guarantee contracts is discussed in detail later in this note. The impact on basic and diluted earnings per share is disclosed in note 4.

At the date of authorisation of the financial report, the following Standards and Interpretations which may have a potential impact on the financial report of the Group were in issue but not yet effective:

o AASB 7 'Financial Instruments: Disclosures'	Effective for annual reporting periods beginning on or after 1 January 2007
o AASB 8 'Operating Segments'	Effective for annual reporting periods beginning on or after 1 January 2009
o AASB 101 'Presentation of Financial Statements' – revised standard	Effective for annual reporting periods beginning on or after 1 January 2007
o AASB 123 'Borrowing costs' – revised standard	Effective for annual reporting periods beginning on or after 1 January 2009
o Interpretation 10 'Interim Financial Reporting and Impairment'	Effective for annual reporting periods beginning on or after 1 November 2006
o AASB 2005-10 'Amendments to Australian Accounting Standards' <i>Result of issuance of AASB 7</i>	Effective for annual reporting periods beginning on or after 1 January 2007
o AASB 2007-3 'Amendments to Australian Accounting Standards' <i>Result of issuance of AASB 8</i>	Effective for annual reporting periods beginning on or after 1 January 2009
o AASB 2007-4 'Amendments to Australian Accounting Standards'	Effective for annual reporting periods beginning on or after 1 July 2007
o AASB 2007-6 'Amendments to Australian Accounting Standards' <i>Result of issuance of AASB 123</i>	Effective for annual reporting periods beginning on or after 1 January 2009

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the company or the Group.

The application of AASB 7, AASB 8, AASB 101 (revised), AASB 2005-10 and AASB 2007-3 will not affect any of the amounts recognised in the financial statements, but will change the disclosures presently made in relation to the company and the Group.

The application of AASB 123 (revised) and AASB 2007-6 will not affect any of the amounts recognised in the financial statements, but will change the accounting policy currently disclosed in relation to borrowing costs. The current policy is that borrowing costs are all expensed as incurred whereas under the requirements of AASB 123 (revised) borrowing costs incurred in relation to qualifying assets must now be capitalised. Since neither the Group nor the company has any qualifying assets on the balance sheet for which borrowing costs were incurred there is no financial impact of this change in policy.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 Basis of preparation of the Financial Report (continued)

(c) Statement of compliance (continued)

The circumstances addressed by Interpretation 10, which prohibits the reversal of certain impairment losses, do not affect either the company's or the Group's previously reported results and accordingly, there will be no impact to these financial statements on adoption of the Interpretation.

AASB 2007-4 includes the amendments resulting from the AASB decision that, in principle, all options that currently exist under IFRS should be included in AIFRS and additional Australian disclosures should be eliminated. This has resulted in amendments to a vast number of existing Standards. The directors have not yet completed their assessment of the impacts that these changes will have on the financial result or the financial position of the Group or the company.

The above Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning after the effective date of each pronouncement. While the directors have decided not to early adopt any of these Standards and Interpretations in the current financial year, the directors are yet to assess the benefit of early adoption in subsequent financial years where early adoption will still be possible.

Accounting for financial guarantee contracts

The AASB released AASB 2005-9 'Amendments to Australian Accounting Standards' in September 2005. AASB 2005-9 amends AASB 139 'Financial Instruments: Recognition and Measurement' to require certain financial guarantee contracts to be recognised in accordance with AASB 139 and measured initially at their fair values, and subsequently measured at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with the revenue recognition policies described in note 1(u).

The changes introduced by AASB 2005-9 are applied by the Group with effect from the beginning of the comparative reporting period presented in this financial report (i.e. with effect from 1 July 2005). The Group is a party to a financial guarantee contract where an entity in the Group has provided a financial guarantee to a bank in respect of an entity external to the Group. Southern Cross Broadcasting (Australia) Limited (the company) is a party to a deed of cross guarantee with other entities within the group. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees, to each creditor, payment in full of any debt in accordance with the deed of cross guarantee. The financial impact of this deed of cross guarantee is not material and as such there is no impact of this change in accounting policy in either the consolidated financial statements or the separate financial statements of the parent.

(d) Assessment of recoverable amounts

At each reporting date, the Group reviews the carrying amount of its assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the carrying amount of assets exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In addition, intangible assets with indefinite lives, intangible assets not yet available for use and goodwill are subject to an annual impairment test regardless of whether indicators for impairment exist.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(e) Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on judgements, estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Television and radio licences

The Group determines whether television and radio licences are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units that are associated with the licences.

Note 14 sets out the assumptions used in the estimation of recoverable amount and carrying amount of television and radio licences.

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill is allocated.

Note 15 sets out the assumptions used in the estimation of recoverable amount and carrying amount of goodwill.

Share based payment transactions

The Group measures the cost of equity settled share based payments at fair value at the grant date using a Monte Carlo formula taking into account the terms and conditions upon which the instruments were granted as discussed in note 26.

Defined benefit plans

Various actuarial assumptions are required when determining the Group's defined benefit superannuation plan obligations. These assumptions and the related carrying amounts are discussed in note 20.

Available-for-sale investments

The fair value of the listed available-for-sale investments is based on the current bid price at reporting date. Note 11 sets out the fair value of the available-for-sale investments.

(f) Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at bank and on hand and short term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 Basis of preparation of the Financial Report (continued)

(g) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred. Non current trade receivables are carried at the net present value of the future cash flows that they represent.

(h) Inventories Television program rights

Television program rights are recorded in the financial statements at the lower of cost and net realisable value based on the agreed total contract price. The amortisation of program rights is based on the expensing of programs as they are broadcast or where, in the opinion of directors, there has been a permanent diminution in the value of the program rights. Where multiple screenings of programs like series, mini series and specials are allowed, the majority of the program cost is expensed on the first screening. For certain programs like movies, where the opportunity exists for second screenings, a proportion of the cost is capitalised as representative of that future benefit and amortised on a straight line basis. Classification of television program rights between current and non current is based on when the programs are expected to be broadcast or when their future benefit will be realised.

Program copyright

Expenditure incurred in relation to film and television program copyright is capitalised and allocated against future licensing revenue. Licensing revenue lifetime forecasts are reviewed from time to time and if the forecast is considered unachievable, the remaining capitalised balance is written down to net realisable value. Costs of developing new program concepts are expensed if the program does not proceed. Classification of program copyright between current and non current is based on when the amounts will be allocated.

(i) Investments accounted for using the equity method

Investments in associates are carried at cost in the parent's separate accounts. Interests in associated entities are brought to account using the equity method. Under this method, the investment in associates is initially recognised at its cost of acquisition and its carrying value is subsequently adjusted for increases or decreases in the investor's share of post acquisition results and reserves of the associate, less any impairment in value. The Income Statement reflects the group's share of the results of the associates. To the extent that profits have been recognised as an increase in carrying value, any dividends received are treated as a return of investment and are recorded as decreases in the carrying amount of each investment.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes in the statement of recognised income and expenses.

Where necessary, accounting policies for associated entities have been changed to ensure consistency with the policies adopted by the Group.

(j) Available-for-sale investments

After initial recognition at fair value, gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the Income Statement.

Available-for-sale investments are recognised and derecognised on trade date, being the date on which the Group commits to purchase or sell the asset.

(k) Property, plant and equipment

All classes of property, plant and equipment are measured at cost, less accumulated depreciation and any impairment in value.

Property, plant and equipment, other than freehold land, are depreciated over their estimated useful lives using the straight line method. Leasehold improvements and assets acquired by means of finance leases are written off over the period of the lease or estimated effective life, whichever is the shorter, using the straight line method. To the extent that it is reasonably certain that the Group will obtain ownership of any leased assets at the end of the lease term the depreciation rates will mirror those for owned assets. The principal depreciation rates adopted are as follows:

	June 2007	June 2006
Buildings	2.5% to 5%	2.5% to 5%
Plant and equipment	7% to 20%	7% to 20%
Motor vehicles	20%	20%
Leasehold improvements	Term of the lease	Term of the lease

The Group has certain operating leases that require the leasehold to be returned to the lessor in its original condition. The operating lease payments do not include an element for repairs or overhauls. A provision for make good costs is recognised over the period of the lease measured at the expected cost of refurbishment at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 Basis of preparation of the Financial Report (continued)

(l) Television and radio licences

Television and radio licenses are initially recognised at cost. The licences are renewable for a minimal cost every five years under provisions of the Broadcasting Services Act. The directors understand that the revocation of a commercial television or radio licence has never occurred in Australia and have no reason to believe the licences have a finite life. These licences are not amortised since, in the opinion of the directors, the licences have an indefinite useful life.

Licences are tested for impairment at a cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

(m) Goodwill on acquisition

Goodwill, representing the excess of the cost of acquisition over the acquiree's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised, but tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Any impairment is recognised immediately in the Income Statement and can not be subsequently reversed.

As at the acquisition date, any goodwill acquired is allocated to each of the cash generating units expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates.

(n) Other assets

Film investments

Costs associated with acquiring film investments are capitalised and allocated against future licensing revenue. Licensing revenue lifetime forecasts are reviewed from time to time and when lower, the remaining capitalised balance is written down. Classification of film investments between current and non current is based on when the amounts will be allocated.

Distribution advances and costs

Advances and costs incurred for television program distribution rights are capitalised and allocated against future licensing revenue. An allowance for unrecoverable advances and costs is recorded where the amount is not expected to be fully recoverable out of future licensing revenue. Classification of distribution advances and costs between current and non current is based on when the amounts will be allocated.

(o) Leased assets

Assets acquired under finance leases are included as property, plant and equipment in the Balance Sheet. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased asset. Where assets are acquired by means of finance leases, the higher of the present value of the minimum lease payments or fair values of the leased assets are recognised as an asset at the beginning of the lease term and amortised on a straight line basis over the shorter of expected useful life of the leased asset and the lease term. A corresponding lease liability is also established and each lease payment is allocated between the liability and finance charge.

Other leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

(p) Trade and other payables

Trade and other payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services, whether or not billed to the Group. These payables are carried at amortised cost. Deferred consideration is recognised at the present value of the outstanding consideration payable on the acquisition of an asset, discounted at an asset specific rate.

(q) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the loans and borrowings.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in the Income Statement when the liabilities are derecognised as well as through the amortisation process.

(r) Provisions

Provisions are recognised when the Group has a present legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events and it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation. Provisions for restructuring are recognised for the expected costs associated with the restructuring of operations. The provisions are based on the best estimate of the direct expenditure to be incurred which are both directly and necessarily caused by the restructuring and not associated with the on-going activities of the Group. Provisions for dividends are not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

If the effect of the time value of money is material, provisions are discounted using a current rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 Basis of preparation of the Financial Report (continued)

(s) Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to the Income Statement for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market value for similar instruments.

For the purposes of hedge accounting, all hedges are classified as cash flow hedges because they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction. Hedges of the foreign currency risk of a firm commitment and interest rate swaps used to convert variable interest rates to effectively fixed rates are accounted for as cash flow hedges.

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the Income Statement.

Amounts taken to equity are transferred to the Income Statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the Income Statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the Income Statement.

(t) Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

The convertible preference shares were classified as a financial liability in accordance with Accounting Standard AASB 132 "Financial Instruments: Disclosure and Presentation". During the year ended 30 June 2006, all convertible preference shares were converted into ordinary shares. Details of the conversion are set out in Note 21.

(u) Revenue Recognition Broadcasting income

Broadcasting operations derive revenue primarily from the sale of advertising time to local and national advertisers. Revenue is recognised on invoice when the commercial announcements are broadcast. Other regular sources of operating revenue are derived from commercial production for advertisers and the sale of programming. Revenue from commercial production and programming sale is recognised on invoice at the time of completion of the commercial or sale.

Film and television income

Film and television production and distribution operations derive revenue primarily from the sale and licensing of programs and program copyright. Revenue from the contribution of services and materials during the production of television programs and the licensing of copyright is recognised when the program is available for delivery, the contract is fully executed and the collectibility is reasonably assured. Revenue from the provision of production services is recognised in accordance with the agreement for the project and is brought to account at the commencement of pre-production, production, post production and delivery of the program on a stage-of-completion basis. Revenue from royalties due from the ownership of a program copyright is recognised on an accrual basis in accordance with the agreement and is only brought to account where the amount of the royalty can be reliably estimated and collection is reasonably assured.

Interest income

Interest income accrued using the effective interest method.

(v) Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, measured at the tax rates expected to apply to the years in which the assets will be realised and the liabilities will be settled.

Deferred income tax assets or liabilities are recognised for all taxable temporary differences:

- o except where the deferred income tax asset or liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- o in respect of deductible or taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 Basis of preparation of the Financial Report (continued)

(w) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except where the GST incurred is not recoverable from the taxation authority. The net amount of GST payable or receivable from the taxation authority at balance date is included as part of receivables or payables in the Balance Sheet.

Operating cash flows are included in the Cash Flow Statement on a gross basis. The GST component of cash flows arising from investing and financing activities which are recoverable from the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the taxation authority.

(x) Foreign currency translation

Both the functional and presentation currency of the parent company and its Australian controlled entities is Australian dollars (\$). Foreign entities in the Group determine their own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All exchange differences are taken to the Income Statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the Income Statement.

The functional currencies of the foreign operations in the United Kingdom, Singapore and New Zealand are the currencies of those countries respectively.

As at the reporting date, the assets and liabilities of these controlled entities are translated into the presentation currency of the parent entity at the rate of exchange ruling at the reporting date and their Income Statements are translated at the weighted average exchange rate for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Income Statement.

(y) Earnings per share

Basic earnings per share (EPS) is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares, adjusted for any bonus element. Diluted EPS is calculated as net profit attributable to members, adjusted for:

- o costs of servicing equity (other than dividends);
- o the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- o other non discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Convertible preference shares and dilutive options are classified as dilutive potential ordinary shares.

(z) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the Income Statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are deferred and recognised in the Income Statement on a straight line basis over the expected useful lives of the related assets.

(aa) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(ab) Employee benefits Wages, salaries and annual leave

Provision has been made in the financial statements for benefits accruing to employees in relation to such matters as annual leave, long service leave and other employee benefits. Provisions for annual leave are measured at their nominal amounts based on the remuneration rates which are expected to be paid when the liability is settled.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Superannuation schemes

The Group has a defined benefit superannuation fund and a number of defined contribution superannuation funds. The defined contribution funds receive fixed contributions from controlled entities and the Group's legal or constructive obligation is limited to these contributions. A liability or asset in respect of the defined benefit superannuation fund is recognised in the Balance Sheet and is measured using the projected unit credit method. Periodic actuarial gains and losses on the defined benefit fund are recognised as an adjustment to retained earnings.

(ac) Share based payment transactions

Share based compensation benefits are provided via the Southern Cross Executive Options and Performance Rights Plan. No expense is recognised in respect of options granted before 7 November 2002, and the relevant shares issued are recognised when the options are exercised and the proceeds received are allocated to share capital. For share options and performance rights granted after 7 November 2002 with vesting dates after 1 January 2005, the fair value is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. Upon the exercise of options, the value of options is transferred to share capital.

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Income Statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is only conditional upon a market condition.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

AASB 2 'Share-Based Payments' is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 Basis of preparation of the Financial Report (continued)

(ad) Financial guarantee contracts

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with the revenue recognition policies described in note 1(u).

(ae) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current period disclosures.

NOTES TO THE FINANCIAL STATEMENTS

	Note	Consolidated		Parent Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 2 Revenue and expenses					
(a) Revenue					
Revenue from continuing operations					
Sales revenue	27	514,846	461,676	-	-
Finance revenue					
Interest from controlled entities		-	-	4,423	3,708
Interest from other entities		1,327	1,454	38	21
		<u>1,327</u>	<u>1,454</u>	<u>4,461</u>	<u>3,729</u>
Other operating revenue					
Dividend income from controlled entities		-	-	58,500	37,500
Other		10,976	12,469	14,164	14,235
		<u>10,976</u>	<u>12,469</u>	<u>72,664</u>	<u>51,735</u>
		<u>527,149</u>	<u>475,599</u>	<u>77,125</u>	<u>55,464</u>
Revenue from discontinued operations					
Sales revenue	27, 34	72,847	82,219	-	-
Other revenue		2,008	1,915	-	-
		<u>74,855</u>	<u>84,134</u>	<u>-</u>	<u>-</u>
		<u>602,004</u>	<u>559,733</u>	<u>77,125</u>	<u>55,464</u>

(b) Profit for the year

	Continuing		Consolidated Discontinued		Total	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Other income						
Profits on sale of property, plant & equipment	598	70	-	6	598	76
Government grants	2,497	614	-	-	2,497	614
Net foreign exchange gains	-	235	177	-	177	235
	<u>3,095</u>	<u>919</u>	<u>177</u>	<u>6</u>	<u>3,272</u>	<u>925</u>
Depreciation and amortisation						
Amortisation of leased assets	594	411	65	64	659	475
Depreciation of property, plant and equipment	15,239	15,720	1,621	1,588	16,860	17,308
Other expense items						
Bad debt & doubtful debt provision expense	803	799	24	25	827	824
Operating lease rentals	11,544	8,494	12	-	11,556	8,494
Annual leave entitlements	3,008	2,911	570	523	3,578	3,434
Long service leave entitlements	800	565	126	145	926	710
Employee on costs entitlements	232	118	(4)	(1)	228	117
Loss on sale of property, plant & equipment	61	100	3	-	64	100
Defined benefit superannuation expense	1,055	1,014	-	-	1,055	1,014
Defined contribution superannuation expense	5,973	6,014	598	849	6,571	6,863
Executive share based payment expense	2,104	1,539	-	-	2,104	1,539
Net foreign exchange losses	1,181	-	-	-	1,181	-
Finance costs						
Interest paid or payable to other persons	13,554	13,105	-	-	13,554	13,105
Interest on convertible preference shares - debt component	-	4,583	-	-	-	4,583
Amortisation of loan facility fees	435	392	-	-	435	392
Finance lease interest charges	96	124	19	20	115	144
	<u>14,085</u>	<u>18,204</u>	<u>19</u>	<u>20</u>	<u>14,104</u>	<u>18,224</u>
Significant items						
(Loss)/Profit on sale of investments	-	(164)	-	-	-	(164)
Redundancies and rationalisation	(889)	(2,338)	(145)	(39)	(1,034)	(2,377)
Corporate transaction costs	(2,125)	-	-	-	(2,125)	-
Loss on closure of a business	-	(528)	-	-	-	(528)
Radio frequency swap costs	-	(627)	-	-	-	(627)
	<u>(3,014)</u>	<u>(3,657)</u>	<u>(145)</u>	<u>(39)</u>	<u>(3,159)</u>	<u>(3,696)</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 2 Revenue and expenses (continued)

(b) Profit for the year (continued)

	Continuing		Parent Company Discontinued		Total	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Other income						
Profits on sale of property, plant & equipment	-	15	-	-	-	15
	<u>-</u>	<u>15</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15</u>
Depreciation and amortisation						
Amortisation of leased assets	70	95	-	-	70	95
Depreciation of property, plant and equipment	613	584	-	-	613	584
Other expense items						
Operating lease rentals	11	11	-	-	11	11
Annual leave entitlements	99	35	-	-	99	35
Long service leave entitlements	62	(107)	-	-	62	(107)
Employee on costs entitlements	(17)	12	-	-	(17)	12
Loss on sale of property, plant & equipment	3	2	-	-	3	2
Defined benefit superannuation expense	1,055	1,014	-	-	1,055	1,014
Defined contribution superannuation expense	530	631	-	-	530	631
Executive share based payment expense	2,104	1,539	-	-	2,104	1,539
Finance costs						
Interest paid or payable to other persons	68	122	-	-	68	122
Interest on convertible preference shares						
- debt component	-	4,583	-	-	-	4,583
Finance lease interest charges	24	40	-	-	24	40
	<u>92</u>	<u>4,745</u>	<u>-</u>	<u>-</u>	<u>92</u>	<u>4,745</u>
Significant items						
Redundancies and rationalisation	-	(115)	-	-	-	(115)
Corporate transaction costs	(1,585)	-	-	-	(1,585)	-
	<u>(1,585)</u>	<u>(115)</u>	<u>-</u>	<u>-</u>	<u>(1,585)</u>	<u>(115)</u>

Consolidated		Parent Company	
2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000

Note 3 Income tax

(a) Income tax expense

<i>Current income tax</i>				
Current income tax charge	32,425	24,720	1,168	831
Adjustments in respect of current income tax of previous years	632	94	(132)	89
<i>Deferred income tax</i>				
Relating to origination and reversal of temporary differences	(4,911)	(2,736)	859	422
	<u>28,146</u>	<u>22,078</u>	<u>1,895</u>	<u>1,342</u>
Income tax expense is attributable to:				
Profit from continuing operations	26,975	21,949	1,895	1,342
Profit from discontinued operations (note 34)	1,171	129	-	-
	<u>28,146</u>	<u>22,078</u>	<u>1,895</u>	<u>1,342</u>

(b) Numerical reconciliation of income tax expense to prima facie income tax expense

Profit before tax from continuing operations	84,947	71,399	61,182	35,351
Profit before tax from discontinued operations	3,734	901	-	-
Profit from operations	<u>88,681</u>	<u>72,300</u>	<u>61,182</u>	<u>35,351</u>
At the Group's statutory income tax rate of 30% (2006: 30%)	26,604	21,690	18,355	10,605
Non assessable dividend within tax consolidated group	-	-	(17,550)	(11,250)
Non deductible expenditure	494	544	8	78
Tax losses brought to account	(322)	(165)	(322)	-
Interest on convertible preference shares	-	1,375	-	1,375
Equity accounted share of associate entities' (profit)/loss	(1,802)	(1,772)	-	-
Other sundry items	539	312	631	445
	<u>25,513</u>	<u>21,984</u>	<u>1,122</u>	<u>1,253</u>
Adjustments in respect of current income tax of previous years	632	94	(132)	89
Specific tax item:				
Capital gain arising from the sale of discontinued operations	1,096	-	-	-
Adjustment of deferred tax balances on tax losses	905	-	905	-
	<u>28,146</u>	<u>22,078</u>	<u>1,895</u>	<u>1,342</u>

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Parent Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 3 Income tax (continued)				
(c) Income tax recognised directly in equity				
<i>Deferred income tax relating to items charged or credited directly to equity</i>				
Fair value adjustment to interest rate swaps	(700)	(119)	-	-
Adjustment to defined benefit liability based on actuarial gain	(258)	(223)	(258)	(223)
Fair value adjustment to available-for-sale assets	(168)	503	(158)	503
Income tax expense reported in equity	<u>(1,126)</u>	<u>161</u>	<u>(416)</u>	<u>280</u>
(d) Deferred income tax				
Deferred income tax relates to the following:				
Balance Sheet				
Deferred tax liabilities				
Television program inventory	-	5,005	-	-
Trade receivables	819	559	-	-
Program copyright inventory	2,016	1,281	-	-
Prepayments	206	257	5	5
Other assets	14	84	-	-
Investments in associates	57	50	-	-
Film investment	3,372	2,405	-	-
Land and buildings	1,586	478	433	454
Plant and equipment	1,888	3,410	66	106
Television and radio licences	13,287	18,133	-	-
Distribution advances and costs	2,691	1,958	-	-
Production tax partnerships	2,459	2,205	-	-
	<u>28,395</u>	<u>35,825</u>	<u>504</u>	<u>565</u>
Deferred tax liabilities attributable to:				
Continuing operations	28,395	35,825	504	565
Discontinued operations (note 34)	-	-	-	-
	<u>28,395</u>	<u>35,825</u>	<u>504</u>	<u>565</u>
Deferred tax assets				
Provision for doubtful debts	478	488	-	-
Provision for writedowns of loan to associate	228	228	228	228
Provision for writedowns of investment	16	16	-	-
Plant and equipment	29	68	-	-
Tax losses carried forward	2	1,164	2	1,164
Finance lease liability	322	511	71	116
Other financial assets	299	503	345	503
Accruals	1,602	2,185	121	116
Other provisions	4,256	6,021	924	1,161
Government grants	6,424	7,173	-	-
Defined benefit superannuation accrual	83	293	83	293
Other assets	1,409	818	-	-
Distribution advances and costs	280	336	-	-
Corporate transaction costs	731	-	469	-
	<u>16,159</u>	<u>19,804</u>	<u>2,243</u>	<u>3,581</u>
Deferred tax assets attributable to:				
Continuing operations	16,159	19,804	2,243	3,581
Discontinued operations (note 34)	-	-	-	-
	<u>16,159</u>	<u>19,804</u>	<u>2,243</u>	<u>3,581</u>
Current tax assets attributable to the sale of discontinued operations to be recognised in the next financial year	5,033	-	-	-
	<u>5,033</u>	<u>-</u>	<u>-</u>	<u>-</u>

Income Statement

Deferred tax liabilities				
Television program inventory	(5,005)	(3,264)	-	-
Trade receivables	(440)	(2,980)	-	-
Program copyright inventory	735	(151)	-	-
Prepayments	(51)	(76)	-	2
Other assets	(70)	35	-	-
Investments in associates	7	(175)	-	-
Film investment	967	2,305	-	-
Land and buildings	1,108	(67)	(21)	(17)
Plant and equipment	(1,522)	(1,526)	(40)	(49)
Television and radio licences	(4,846)	-	-	-
Distribution advances and costs	733	1,160	-	-
Production tax partnerships	254	399	-	-
	<u>(8,130)</u>	<u>(4,340)</u>	<u>(61)</u>	<u>(64)</u>

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Parent Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 3 Income tax (cont)				
(d) Deferred income tax (continued)				
Deferred tax assets				
Provision for doubtful debts	10	(22)	-	-
Plant and equipment	39	(68)	-	-
Tax losses carried forward	1,162	953	1,162	953
Finance lease liability	188	178	44	51
Other financial assets	36	-	-	-
Accruals	583	460	(5)	(116)
Other provisions	1,765	592	236	(476)
Government grants	749	184	-	-
Defined benefit superannuation accrual	(48)	74	(48)	74
Other assets	(590)	(755)	-	-
Distribution advances and costs	56	8	-	-
Corporate transaction costs	(731)	-	(469)	-
	<u>3,219</u>	<u>1,604</u>	<u>920</u>	<u>486</u>
Deferred tax (income)/ expense	<u>(4,911)</u>	<u>(2,736)</u>	<u>859</u>	<u>422</u>
(e) Unrecognised deferred tax balances				
The following deferred tax assets have not been brought to account as assets:				
Tax losses - revenue	-	711	-	-
Tax losses - capital	-	484	-	-
Temporary differences	4,927	4,973	-	-
	<u>4,927</u>	<u>6,168</u>	<u>-</u>	<u>-</u>

Tax Consolidation

The parent company and its wholly owned Australian resident controlled entities have formed a tax consolidated group. The parent company is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned controlled entities on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the reporting date, the possibility of default is remote.

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with the principles of UIG 1052, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112: Income Taxes. Allocations under the tax funding agreement are made at the end of each quarter.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the controlled entities' inter-company accounts with the tax consolidated group head entity. The Group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

In preparing the accounts for parent company for the current year, the following amounts have been recognised as tax consolidation contribution adjustments:

	Parent Company	
	2007 \$'000	2006 \$'000
Total increase to inter-company assets	26,937	12,420
Total increase to inter-company liabilities	1,914	6,239

	Consolidated	
	2007 cents	2006 cents

Note 4 Earnings per share

Basic earnings per share

From continuing operations	80.23	76.11
From discontinued operations	3.55	1.19
	<u>83.78</u>	<u>77.30</u>

Diluted earnings per share

From continuing operations	79.28	76.38
From discontinued operations	3.51	1.09
	<u>82.79</u>	<u>77.47</u>

Basic earnings per share and diluted earnings per share are calculated in accordance with Note 1(y).

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Parent Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000

Note 4 Earnings per share (continued)

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Net profit attributable to members	60,431	50,103		
Dividends paid to convertible preference shareholders	-	-		
Earnings used in calculating basic earnings per share	<u>60,431</u>	<u>50,103</u>		
Adjustments to exclude profit for the period from discontinued operations	(2,563)	(772)		
Earnings used in calculating basic earnings per share from continuing operations	<u>57,868</u>	<u>49,331</u>		
Net profit attributable to members	60,431	50,103		
Interest paid to convertible preference shareholders	-	4,583		
Earnings used in calculating dilutive earnings per share	<u>60,431</u>	<u>54,686</u>		
Adjustments to exclude profit for the period from discontinued operations	(2,563)	(772)		
Earnings used in calculating dilutive earnings per share from continuing operations	<u>57,868</u>	<u>53,914</u>		
	Number	Number		
The weighted average number of ordinary shares on issue used on the calculation of basic earnings per share	72,129,869	64,818,871		
Effect of dilutive securities:				
Options	857,918	608,043		
Partly paid shares	-	48,363		
Convertible preference shares	-	5,117,356		
The weighted average number of ordinary shares on issue used on the calculation of dilutive earnings per share	<u>72,987,787</u>	<u>70,592,633</u>		

At 30 June 2007 there were no potential ordinary shares on issue which were not dilutive (2006: nil).

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements, except for the pay up in full of 145,000 partly paid shares (2006: nil) and an exercise of nil executive options (2006: 316,667).

	Consolidated		Parent Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000

Note 5 Retained earnings

Retained earnings at the beginning of the financial year	49,203	35,276	12,171	18,090
Application of AASB 132 and AASB 139:				
Restatement of discounted long term receivables	-	(382)	-	-
Restatement of discounted long term accrued royalties	-	278	-	-
Fair value adjustment to interest rate swaps	-	1,385	-	-
Tax effect of fair value adjustment to interest rate swaps	-	(415)	-	-
Adjustment to defined benefit liability based on actuarial gain	20	860	860	745
Tax effect of adjustment to defined benefit liability on actuarial gain	3	(258)	(258)	(224)
Reclassification from asset revaluation reserve	-	4,425	-	1,540
Net profit attributable to members	<u>60,431</u>	<u>50,103</u>	<u>59,287</u>	<u>34,009</u>
Total available for appropriation	110,236	91,192	72,060	54,160
Dividends paid or provided for	<u>(51,215)</u>	<u>(41,989)</u>	<u>(51,215)</u>	<u>(41,989)</u>
Retained earnings at the end of the financial year	<u>59,021</u>	<u>49,203</u>	<u>20,845</u>	<u>12,171</u>

Note 6 Dividends paid or provided for on ordinary shares

Dividends

Paid final dividends - 34 cents per share (2006: 33 cents) - fully franked	24,422	20,562	24,422	20,562
Paid interim dividends - 37 cents per share (2006: 34 cents) - fully franked	26,793	21,427	26,793	21,427
	<u>51,215</u>	<u>41,989</u>	<u>51,215</u>	<u>41,989</u>
Dividends proposed and not recognised as a liability - 37 cents per share (2006: 34 cents) - fully franked	<u>26,793</u>	<u>24,245</u>	<u>26,793</u>	<u>24,245</u>

The tax rate at which paid dividends have been franked is 30% (2006: 30%). Dividends proposed will be franked at the rate of 30% (2006: 30%).

	Parent Company	
	2007 \$'000	2006 \$'000

Franking credit balance

The amount of franking credits available for subsequent financial year are:

Balance as at the end of the financial year at 30%	18,962	23,941
Franking credits that will arise from the payment of income tax payable at the end of the financial year	<u>21,503</u>	<u>5,369</u>
	<u>40,465</u>	<u>29,310</u>

NOTES TO THE FINANCIAL STATEMENTS

	Note	Consolidated		Parent Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 7 Trade and other receivables					
Current					
Trade receivables	(a)	131,294	134,031	-	-
Allowance for doubtful debts		(1,630)	(1,629)	-	-
Other debtors	(b)	7,693	3,493	773	315
Amounts receivable from controlled entities	(c)	-	-	-	3,294
Amounts receivable from associated entities	(c)	2	2	2	-
		<u>137,359</u>	<u>135,897</u>	<u>775</u>	<u>3,609</u>
Classified as part of a discontinued operation (note 34)		<u>13,719</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>151,078</u>	<u>135,897</u>	<u>775</u>	<u>3,609</u>
Non current					
Loans to other persons		-	269	-	-
Amounts receivable from controlled entities	(c)	-	-	704,907	653,100
Amounts receivable from associated entities	(c)	2,727	2,011	2,289	1,915
Provision for writedown		(759)	(759)	-	-
		<u>1,968</u>	<u>1,521</u>	<u>707,196</u>	<u>655,015</u>
Terms and conditions					
(a)	Current trade receivables generally include accounts receivable on 30 day non interest bearing terms.				
(b)	Current other debtors include miscellaneous receivables on various, but predominantly non interest bearing terms.				
(c)	Amounts receivable from controlled entities and associated entities represent loans to controlled entities (some of which are interest bearing) and to associated entities (which are non-interest bearing). These receivables have no specified terms of repayment and repayable on demand.				
Note 8 Inventories					
Current					
Television program rights		39	10,996	-	-
Program copyright - at net realisable value		508	656	-	-
Program copyright in production - at cost		6,152	885	-	-
		<u>6,699</u>	<u>12,537</u>	<u>-</u>	<u>-</u>
Classified as part of a discontinued operation (note 34)		<u>20,042</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>26,741</u>	<u>12,537</u>	<u>-</u>	<u>-</u>
Non current					
Television program rights		-	9,262	-	-
Program copyright - at net realisable value		2,969	3,482	-	-
		<u>2,969</u>	<u>12,744</u>	<u>-</u>	<u>-</u>
Television program rights are valued in accordance with the policy set out in Note 1(h). Certain categories of television program rights have been written down to net realisable value.					
Note 9 Other assets					
Current					
Prepayments		5,801	5,412	75	347
Distribution advances and costs - at recoverable amount		5,141	2,335	-	-
Other		6,288	2,335	1,564	453
		<u>17,230</u>	<u>10,082</u>	<u>1,639</u>	<u>800</u>
Classified as part of a discontinued operation (note 34)		<u>183</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>17,413</u>	<u>10,082</u>	<u>1,639</u>	<u>800</u>
Non current					
Distribution advances and costs - at recoverable amount		7,929	6,886	-	-
Film investments		3,580	4,394	-	-
Other		2,533	344	-	-
		<u>14,042</u>	<u>11,624</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 10 Investments in associates

Investment in the following associates, over which the consolidated entity does not have control, are accounted for using the equity method of accounting:

Homebush Transmitters Pty Ltd*

At 30 June 2007, there was a 50% interest (2006: 50%) in the associate with an investment of \$1. The associate's principal activity is the rental of a transmission facility.

Gold Coast Translators Pty Ltd*

At 30 June 2007 there was a 25% interest (2006: 25%) in the associate with an investment of \$20,000. The associate's principal activity is the rental of a transmission facility.

Tasmanian Digital Television Pty Ltd*

At 30 June 2007 there was a 50% interest (2006: 50%) in the associate with an investment of \$1. The associate's principal activity is the operation of a television station in Tasmania.

Perth FM Facilities Pty Ltd*

At 30 June 2007 there was a 33% interest (2006: 33%) in the associate with an investment of \$1. The associate's principal activity is the rental of a transmission facility.

Regional TAM Pty Ltd*

At 30 June 2007 there was a 35.71% interest (2006: 35.71%) in the associate with an investment of \$5,000. The associate's principal activity is the acquisition and distribution of television ratings across regional eastern Australia.

Southern Star Endemol Pty Ltd

At 30 June 2007 there was a 49% interest (2006: 49%) in the associate with an investment of \$1. The reporting date of the associate is 31 December. The associate's principal activity is television program production.

Southern Star Endemol Pty Ltd is a small proprietary company incorporated in Australia.

Photolibrary Pty Ltd

At 30 June 2007, there was nil interest (2006: 46.60%). During the year ended 30 June 2006, all of the consolidated entity's 46.6% interest in the associate, with an investment of \$3,721,000, was sold. While an associate, the principal activity of the entity was image and film distribution.

Southern Star Golden Globe Pty Ltd

At 30 June 2007, there was nil interest (2006: 50%) in the associate with an investment of \$2. The reporting date of the associate is 30 June. The entity is incorporated in Australia but is dormant.

You Play Pty Ltd*

A 50% interest in this associate was acquired during the year ended 30 June 2007 for \$1. The associate's principal activity is the operation of an online interactive puzzle business.

* These associates have a reporting date of 30 June, are small proprietary companies and are incorporated in Australia.

	Consolidated		Parent Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
The following illustrates summarised financial information relating to the Group's investments in associates:				
Share of associates' results				
Revenue	29,888	28,375	-	-
Profits from continuing operations before tax	8,662	8,297	-	-
Income tax expense	(2,634)	(2,550)	-	-
Share of net results of associates	6,028	5,747	-	-
Share of accumulated net results - opening balance	3,873	3,616	-	-
Share of dividends paid by associates	(5,854)	(5,490)	-	-
Share of accumulated net results - closing balance	4,047	3,873	-	-
Aggregate carrying amount of associates:				
Opening investments at cost	25	3,545	-	-
Cost of disposal of investment in associate	-	(3,719)	-	-
Impairment write down of investment disposed	-	200	-	-
Accumulated share of net results	4,047	3,873	-	-
	4,072	3,899	-	-
Financial summary of associates				
Share of current assets	13,569	8,443	-	-
Share of non current assets	792	793	-	-
Share of total assets	14,361	9,236	-	-
Share of current liabilities	2,692	3,200	-	-
Share of non current liabilities	7,597	2,137	-	-
Share of total liabilities	10,289	5,337	-	-
Share of net assets	4,072	3,899	-	-

There are no capital commitments or other commitments relating to the associates.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Parent Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 11 Available-for-sale-investments				
Quoted shares in other entities - at fair value	3,324	1,822	3,173	1,822
Unquoted units in other entities - at fair value	30	30	5	5
	<u>3,354</u>	<u>1,852</u>	<u>3,178</u>	<u>1,827</u>
Available-for sale investments consist of ordinary shares and units and therefore have no fixed maturity date or coupon rate.				
The fair value of the quoted available-for-sale investments is based on observable market prices.				
The fair value of the unquoted available-for-sale investments is not materially different from cost. Management has determined that cost is an adequate reflection of the fair value of the asset.				
Note 12 Other financial assets				
Controlled entities				
Unquoted shares - at cost	-	-	123,165	123,165
	<u>-</u>	<u>-</u>	<u>123,165</u>	<u>123,165</u>
Note 13 Property, plant and equipment				
Freehold land and buildings				
Cost				
opening balance	61,001	58,417	27,769	25,603
additions	171	2,418	118	2,166
disposals	(3,573)	-	-	-
classified as held for sale	(8,472)	-	-	-
net foreign currency exchange differences arising on translation of financial statements	(151)	166	-	-
closing balance	<u>48,976</u>	<u>61,001</u>	<u>27,887</u>	<u>27,769</u>
Accumulated depreciation				
opening balance	11,043	9,841	1,371	959
depreciation for the year	1,118	1,202	427	412
disposals	(146)	-	-	-
classified as held for sale	(5,766)	-	-	-
net foreign currency exchange differences arising on translation of financial statements	(6)	-	-	-
closing balance	<u>6,243</u>	<u>11,043</u>	<u>1,798</u>	<u>1,371</u>
Net book value	<u>42,733</u>	<u>49,958</u>	<u>26,089</u>	<u>26,398</u>
Plant, equipment and motor vehicles				
Cost				
opening balance	268,380	247,610	1,741	1,510
additions	14,473	15,039	139	231
disposals	(1,143)	(1,332)	-	-
classified as held for sale	(19,449)	-	-	-
write-off	(9,502)	(5)	-	-
acquisitions through entities acquired	-	6,964	-	-
net foreign currency exchange differences arising on translation of financial statements	(98)	104	-	-
closing balance	<u>252,661</u>	<u>268,380</u>	<u>1,880</u>	<u>1,741</u>
Accumulated depreciation				
opening balance	165,788	145,287	1,269	1,097
depreciation for the year	15,742	15,831	186	172
disposals	(1,018)	(1,032)	-	-
classified as held for sale	(15,417)	-	-	-
write-off	(9,310)	17	-	-
acquisitions through entities acquired	-	5,618	-	-
net foreign currency exchange differences arising on translation of financial statements	(43)	67	-	-
closing balance	<u>155,742</u>	<u>165,788</u>	<u>1,455</u>	<u>1,269</u>
Net book value	<u>96,919</u>	<u>102,592</u>	<u>425</u>	<u>472</u>
Plant, equipment and motor vehicles under lease				
Cost				
opening balance	2,681	3,427	469	613
additions	139	444	-	-
transfers to and from related companies	-	-	(96)	-
disposals	(415)	(1,190)	-	(144)
classified as held for sale	(565)	-	-	-
closing balance	<u>1,840</u>	<u>2,681</u>	<u>373</u>	<u>469</u>
Accumulated amortisation				
opening balance	1,017	1,164	108	87
amortisation for the year	398	475	70	95
transfers to and from related companies	-	-	(33)	-
disposals	(265)	(622)	-	(74)
classified as held for sale	(359)	-	-	-
closing balance	<u>791</u>	<u>1,017</u>	<u>145</u>	<u>108</u>
Net book value	<u>1,049</u>	<u>1,664</u>	<u>228</u>	<u>361</u>

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Parent Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 13 Property, plant and equipment (continued)				
Leasehold improvements				
Cost				
opening balance	8,727	8,576	-	-
additions	1,442	403	-	-
disposals	-	(358)	-	-
acquisitions through entities acquired	-	90	-	-
write-off	(1,117)	-	-	-
net foreign currency exchange differences arising on translation of financial statements	(7)	16	-	-
closing balance	<u>9,045</u>	<u>8,727</u>	<u>-</u>	<u>-</u>
write-off				
Accumulated depreciation				
opening balance	4,455	4,442	-	-
depreciation for the year	261	275	-	-
disposals	-	(358)	-	-
acquisitions through entities acquired	-	82	-	-
write-off	(1,072)	-	-	-
net foreign currency exchange differences arising on translation of financial statements	(1)	14	-	-
closing balance	<u>3,643</u>	<u>4,455</u>	<u>-</u>	<u>-</u>
write-off				
Net book value	<u>5,402</u>	<u>4,272</u>	<u>-</u>	<u>-</u>
Total property, plant and equipment	<u>146,103</u>	<u>158,486</u>	<u>26,742</u>	<u>27,231</u>

Note 14 Television and radio licences

Television and radio licences				
opening balance - at cost	573,992	573,992	-	-
impairment loss	-	-	-	-
classified as held for sale	(84,405)	-	-	-
closing balance - at cost	<u>489,587</u>	<u>573,992</u>	<u>-</u>	<u>-</u>

Television and radio licences have been allocated to cash generating units for impairment testing as follows:

	2007	2006		
o Regional television network			o Regional television network	
o Metropolitan radio network			o Metropolitan television station	
			o Metropolitan radio network	
Television segment				
Regional television network	356,314	356,314		
Metropolitan television station	-	84,405		
	<u>356,314</u>	<u>440,719</u>		
Radio segment				
Metropolitan radio network	<u>133,273</u>	<u>133,273</u>		
Total	<u>489,587</u>	<u>573,992</u>		

The recoverable amount of licences in each cash generating unit has been determined based on a discounted cash flow analysis. The analysis calculated the net present value of the future ungeared pre tax cash flows provided by senior management.

Key assumptions used in calculating the value in use for cash generating units associated with television and radio licences for 30 June 2007 and 30 June 2006

The following describes each key assumption on which management has based its cash flow projections when determining the value in use of the cash generating units associated with television and radio licences:

The cash flows used in the analysis covered a three year period commencing on 1 July 2007 and concluding on 30 June 2010. The analysis accounted for cash flows likely to be generated beyond 2010 through the use of a residual or terminal value.

The cash flows for the cash generating units were discounted using a pre tax discount factor of 11.8%.

The residual value was determined by employing a capitalisation factor of 14 times to the net post tax projected cash flows.

Management determined budgeted future performance based on past performance and its expectation for the future. The projections are consistent with external sources of information.

No significant future events were identified which would cause management to conclude that past performance was not an appropriate indicator of future performance. During the year ended 30 June 2006, the performance of metropolitan television was expected to be impacted by cost savings associated with a new affiliation agreement and the loss of the AFL and Commonwealth Games rights.

With regard to the assessment of the value-in-use of television and radio networks, management believe that no reasonably foreseeable change in any of the above key assumptions would cause the carrying values of these networks to materially exceed their recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Parent Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 15 Goodwill				
Goodwill				
opening balance	78,071	61,968	-	-
additions	636	15,227	-	-
net foreign currency exchange differences arising on translation of financial statements	(730)	876	-	-
closing balance	<u>77,977</u>	<u>78,071</u>	<u>-</u>	<u>-</u>

Goodwill acquired through business combinations has been allocated to two cash generating units, which are reportable segments, for impairment testing as follows:

- o Film and television production and distribution; and
- o Digital music distribution

Film and television production and distribution	67,174	67,268
Digital Music Distribution	10,803	10,803
Net carrying amount	<u>77,977</u>	<u>78,071</u>

Key assumptions used in calculating value in use for the cash generating units associated with goodwill for 30 June 2007 and 30 June 2006

The following describes each key assumption on which management has based its cash flow projections when determining the value in use of the cash generating units associated with goodwill.

Film and television production and distribution:

The film and production and distribution unit is a reportable segment in Note 27.

The recoverable amount of the unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a three year period.

The pre tax discount rate applied to the cash flow projections is 13.4%.

The growth rate used to extrapolate the cash flows of the unit beyond the three year period is 2.5%.

Digital music distribution:

The digital music distribution unit forms part of the other reportable segment in Note 27.

The recoverable amount of the unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a three years period and forecasts covering a further two year period.

The pre tax discount rate applied to the cash flow projections is 10.9%.

The growth rate used to extrapolate the cash flows of the unit beyond the five year period is 2.5%.

Management determined budgeted future performance based on past performance and its expectations for the future. The projections are consistent with external sources of information.

No significant future events were identified which would cause management to conclude that past performance was not an appropriate indicator of future performance.

With regard to the assessment of the value-in-use of the cash generating units associated with goodwill, management believe that no reasonably foreseeable change in any of the above key assumptions would cause the carrying values of these cash generating units to materially exceed their recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

		Consolidated		Parent Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 16 Trade and other payables					
Current					
Trade payables	(a)	22,650	48,920	94	392
Accrued royalties	(b)	36,402	39,157	-	-
Other payables	(c)	41,014	31,266	2,470	725
Amounts owing to controlled entities	(d)	-	-	228,403	220,178
		<u>100,066</u>	<u>119,343</u>	<u>230,967</u>	<u>221,295</u>
Classified as part of a discontinued operation (note 34)		<u>31,768</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u><u>131,834</u></u>	<u><u>119,343</u></u>	<u><u>230,967</u></u>	<u><u>221,295</u></u>
Non current					
Trade payables	(a)	-	6,591	-	-
Accrued royalties	(b)	1,649	1,160	-	-
Other payables		-	4,414	-	-
		<u>1,649</u>	<u>12,165</u>	<u>-</u>	<u>-</u>

Terms & Conditions

- (a) Current trade payables generally include accounts payable on 30 day non-interest bearing terms. Non current trade payables generally include amounts payable in respect of the use of television programming material on non interest bearing terms by installments as determined under various agreements.
- (b) Accrued royalties (current & non current) are non-interest bearing and are due over the terms of the relevant agreements.
- (c) Current other payables include amounts payable to suppliers on various non-interest bearing terms.
- (d) Current amounts owing to controlled entities are interest free and payable at call but have no specified terms of repayment.

Note 17 Interest bearing loans and borrowings

Current					
Amounts owing to other entities	(a)	5,071	3,081	-	-
Finance lease liability	(b)	710	609	237	123
		<u>5,781</u>	<u>3,690</u>	<u>237</u>	<u>123</u>
Classified as part of a discontinued operation (note 34)		<u>192</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u><u>5,973</u></u>	<u><u>3,690</u></u>	<u><u>237</u></u>	<u><u>123</u></u>
Non current					
Amounts owing to other entities	(a)	1,238	3,448	-	-
Finance lease liability	(b)	365	1,093	-	262
Revolving cash advance facility	(c)	199,000	206,000	-	-
		<u>200,603</u>	<u>210,541</u>	<u>-</u>	<u>262</u>

Terms and conditions

- (a) Amounts owing to other entities and associated entities are loans to fund the production of television series, and are subject to a weighted average effective interest rate of 5.99% (2006: 4.72%).
- (b) Finance lease liabilities are secured over leased assets and have an average lease term of 3 years with a 40% residual payment on completion of the lease term. Interest is charged at a weighted average effective rate of 7.83% (2006: 7.67%).
- (c) The revolving cash advance facility is unsecured but subject to negative pledge that certain financial ratios are met including that debt must not exceed four times EBITDA at 30 June. Interest was charged at a weighted average effective interest rate of 6.59% (2006: 5.26%).

Financing facilities available

At reporting date, the following financing facilities were available:

<i>Total facilities:</i>					
Unsecured bank overdrafts		4,000	4,000		
Bank guarantee		1,100	1,100		
Revolving cash advance facility		275,000	275,000		
		<u>280,100</u>	<u>280,100</u>		
<i>Used facilities:</i>					
Unsecured bank overdrafts		-	-		
Bank guarantee		301	306		
Revolving cash advance facility		199,000	206,000		
		<u>199,301</u>	<u>206,306</u>		
<i>Unused facilities:</i>					
Unsecured bank overdrafts		4,000	4,000		
Bank guarantee		799	794		
Revolving cash advance facility		76,000	69,000		
		<u>80,799</u>	<u>73,794</u>		

NOTES TO THE FINANCIAL STATEMENTS

		Consolidated		Parent Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 18 Provisions					
Current					
Employee benefits	25	10,041	11,142	994	828
Other	(a)	404	1,971	-	-
		<u>10,445</u>	<u>13,113</u>	<u>994</u>	<u>828</u>
Classified as part of a discontinued operation (note 34)		4,970	-	-	-
		<u>15,415</u>	<u>13,113</u>	<u>994</u>	<u>828</u>
Non current					
Employee benefits	25	1,375	2,114	64	41
Other	(a)	2,861	5,283	2,252	3,002
		<u>4,236</u>	<u>7,397</u>	<u>2,316</u>	<u>3,043</u>

(a) Other

Other provisions include amounts provided for make good costs, onerous contracts, employee redundancies and directors' retirement benefits. Provision has been made against onerous movie contracts as part of the television program rights write down.

Movements in current and non current other provisions were as follows:

Directors retirement benefits:					
opening balance		1,417	1,341	1,417	1,341
provision for the year		605	76	605	76
closing balance		<u>2,022</u>	<u>1,417</u>	<u>2,022</u>	<u>1,417</u>
Onerous contracts:					
opening balance		3,129	4,615	-	-
classified as a liability associated to a non-current asset classified as held for sale		(2,815)	-	-	-
amounts utilised during the year		(314)	(1,486)	-	-
closing balance		<u>-</u>	<u>3,129</u>	<u>-</u>	<u>-</u>
Other:					
opening balance		2,708	1,976	1,585	-
provision for the year		(157)	1,613	(157)	1,585
amounts utilised during the year		(1,308)	(881)	(1,198)	-
closing balance		<u>1,243</u>	<u>2,708</u>	<u>230</u>	<u>1,585</u>
Total:					
opening balance		7,254	7,932	3,002	1,341
provision for the year		448	1,689	448	1,661
classified as a liability associated to a non-current asset classified as held for sale		(2,815)	-	-	-
amounts utilised during the year		(1,622)	(2,367)	(1,198)	-
closing balance		<u>3,265</u>	<u>7,254</u>	<u>2,252</u>	<u>3,002</u>

Note 19 Deferred government grants

Deferred government grants					
Current		10,495	3,168	-	-
Non-current		10,918	20,742	-	-
		<u>21,413</u>	<u>23,910</u>	<u>-</u>	<u>-</u>

The accounting policies adopted and the description of government grants received by the Group have been disclosed in Note 1(z).

Note 20 Retirement benefit obligations

The consolidated entity has established a defined benefit superannuation fund, the Southern Cross Superannuation Fund, under which relevant employees, after serving a qualifying period, are entitled to benefits on retirement, disability or death. The Southern Cross superannuation fund, a sub plan of the Mercer Superannuation Trust, no longer accepts new members. Employees contribute to the fund at various percentages of their salaries. Relevant entities in the consolidated entity also contribute to the fund at rates recommended by actuaries. These entities have no legal obligation to contribute to the fund over and above the legislated minimum level of superannuation support. An actuarial assessment of the fund was made as at 1 July 2006 by the actuary of the Mercer Super Trust. The assets of the fund are sufficient to satisfy all benefits that would have vested under the fund in the event of termination or in the event of the voluntary or compulsory termination of employment of each employee.

The employees of the controlled entity, Australian Capital Television Pty. Limited are members of the SCB Superannuation Plan. The plan is a defined contribution sub plan of the AMP Master Plan administered by AMP Superannuation Limited. This controlled entity has a legal obligation to contribute the legislated minimum level of superannuation support plus by agreement, a nominated percentage of salary for each employee.

The employees of the controlled entity, Channel 9 South Australia Pty. Limited are members of the NWS9 Superannuation Plan. The plan is a defined contribution sub plan of the Mercer Retirement Trust administered by Mercer Human Resources Consulting Pty. Limited. This controlled entity has a legal obligation to contribute the legislated minimum level of superannuation support plus by agreement, a nominated percentage of salary for each employee.

The following tables summarise the components of net benefit expense recognised in the Income Statement and amounts recognised in the balance sheet for the defined benefits superannuation plan:

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Parent Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 20 Retirement benefit obligations (continued)				
Net benefit expense:				
Current service cost	1,239	1,241	1,239	1,241
Interest cost	728	666	728	666
Expected return on plan assets	(912)	(893)	(912)	(893)
Net benefit expense recognised	<u>1,055</u>	<u>1,014</u>	<u>1,055</u>	<u>1,014</u>
Actual return on plan assets	<u>1,134</u>	<u>759</u>	<u>1,134</u>	<u>759</u>
Liability included in the balance sheet:				
Present value of funded defined benefit obligations at end of year	16,967	15,508	16,967	15,508
Fair value of plan assets at end of year	(16,689)	(14,533)	(16,689)	(14,533)
Net liability recognised in balance sheet at end of year	<u>278</u>	<u>975</u>	<u>278</u>	<u>975</u>

Changes in the present value of the defined benefit obligation are as follows:

Opening defined benefit obligation	15,508	15,988	15,508	15,988
Interest cost	728	666	728	666
Current service cost	1,239	1,242	1,239	1,242
Contribution by plan participants	280	459	280	459
Benefits, premiums and taxes paid	(1,062)	(2,861)	(1,062)	(2,861)
Actuarial (gains) /losses on obligation	274	14	274	14
Closing present value of defined benefit obligations	<u>16,967</u>	<u>15,508</u>	<u>16,967</u>	<u>15,508</u>

Changes in the fair value of plan assets are as follows:

Opening fair value of plan assets	14,533	14,024	14,533	14,024
Expected return	912	893	912	893
Contributions by employer	892	1,259	892	1,259
Contribution by plan participants	280	459	280	459
Benefits, premiums and taxes paid	(1,062)	(2,861)	(1,062)	(2,861)
Actuarial gains	1,134	759	1,134	759
Closing fair value of plan assets	<u>16,689</u>	<u>14,533</u>	<u>16,689</u>	<u>14,533</u>

The percentage invested in each asset class at reporting date is as follows:

	2007 %	2006 %	2007 %	2006 %
Australian equities	38	34	38	34
Overseas equities	25	28	25	28
Fixed interest securities	23	21	23	21
Property	7	6	7	6
Other	7	11	7	11

The fair value of Plan assets include no amounts relating to any of the company's own financial instruments and any property occupied by, or other assets used by, the company.

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the benchmark allocation of assets to each class. The returns used for each class are net of investment tax and investment fees

	\$'000	\$'000	\$'000	\$'000
Actuarial gains recognised in the year in the statement of recognised income and expense	860	745	860	745
Cumulative actuarial gains recognised and expense in the statement of recognised income and expense	<u>1,937</u>	<u>1,077</u>	<u>1,937</u>	<u>1,077</u>

The history of experience adjustments is as follows:

Experience (gains)/losses adjustments on plan liabilities	566	425	566	425
Experience (gains)/losses adjustments on plan assets	(1,134)	(759)	(1,134)	(759)

The principal actuarial assumptions used to value the defined benefit obligation at the reporting date are as follows:

	% pa	% pa	% pa	% pa
Discount rate	5.3	4.9	5.3	4.9
Expected rate of return on assets	6.4	6.3	6.4	6.3
Salary rate increase	4.0	4.0	4.0	4.0

NOTES TO THE FINANCIAL STATEMENTS

Note 20 Retirement benefit obligations (continued)

	Consolidated		Parent Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
The following is a summary of the most recent financial position of Southern Cross Superannuation Fund calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plan"				
Accrued benefits	(17,355)	(17,355)	(17,355)	(17,355)
Net market value of plan assets	17,387	17,387	17,387	17,387
Net surplus/(deficit) of net market value of plan assets over accrued benefits	32	32	32	32

The current contribution recommendations are 9% of salaries of defined benefit members. Productivity contributions, deemed member contributions and salary sacrifice member contributions are also payable where appropriate.

The method used to determine the employer contribution was the entry age normal funding method. The method adopted affects the timing of the cost to the employer.

Under the entry age normal method, a "normal cost" is calculated which is the estimated employer contribution rate required to provide benefits in respect of a typical new entrant to the Plan. The "normal" cost is adjusted to take into account any surplus (or deficiency) of the value of assets and future contributions over the value of future benefits for existing members. Any surplus or deficiency can be used to reduce or increase the "normal" employer contribution rate over a suitable period of time.

Transactions with directors and key management personnel:

Anthony E. Bell, Eddie Chia, Bruce Abraham, Stuart Boxer and Graham Mott are all members of the Southern Cross Superannuation Fund.

Note	Consolidated		Parent Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 21 Issued Capital				
Ordinary shares fully paid	583,424	570,355	583,424	570,355
Ordinary shares paid to 2.5 cents	7	7	7	7
Ordinary shares paid to 1 cent	-	-	-	-
Convertible preference shares fully paid	-	-	-	-
	<u>583,431</u>	<u>570,362</u>	<u>583,431</u>	<u>570,362</u>
	Number	Number	\$'000	\$'000
Movements in ordinary shares for the year				
On issue at the beginning of the year	71,308,152	62,039,930	570,355	461,342
Issue of shares in lieu of cash dividends (a)	548,525	1,099,119	7,018	14,454
Issue fees	-	-	(29)	(30)
Issue of shares upon exercise of executive options (b)	556,667	500,000	6,080	5,360
Issue of shares upon conversion of preference shares (c)	-	7,669,103	-	89,229
On issue at the end of the year	<u>72,413,344</u>	<u>71,308,152</u>	<u>583,424</u>	<u>570,355</u>
Movements in ordinary shares paid to 2.5 cents for the year				
On issue at the beginning and end of the year	<u>272,300</u>	<u>272,300</u>	<u>7</u>	<u>7</u>
Movements in ordinary shares paid to 1 cent for the year				
On issue at the beginning and end of the year	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>-</u>
Movements in convertible preference shares for the year				
On issue at the beginning and end of the year	-	6,842,714	-	74,175
Reclassification as debt under AIFRS	-	(6,842,714)	-	(74,175)
On issue at the end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

- (a) The Dividend Reinvestment Plan provided shareholders with an opportunity to take shares in lieu of cash dividends. 548,525 ordinary shares were issued in respect of the 2006 final dividend at \$12.79 being the prevailing market price at the record date in determining dividend entitlements. The Dividend Reinvestment Plan was suspended in respect of the 2007 interim dividend.
- (b) In 2007, 556,667 executive options were exercised in accordance with the rules of the Southern Cross Executive Option Plan, details of which are set out in Note 26.
- (c) In 2006, all convertible preference shares were converted into ordinary shares at the rate of 1.1209 ordinary shares for each convertible preference share.

Ordinary Shares

Ordinary shares have the right to receive dividends as declared. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a general meeting of the company.

Partly Paid Shares

An employee share plan commenced in 1988 which offered partly paid shares to all employees with one or more years of service. A balance of 272,300 partly paid shares paid to 2.5 cents per share and 30,000 partly paid shares paid to 1 cent per share remain as at 30 June 2007. The holders of partly paid shares are not entitled to participate in dividends in the ordinary course of business which are not declared and paid in the context of a scheme of arrangement. The right to vote on partly paid shares is proportional to the amount paid up on those partly paid shares.

Executive options over shares in the parent company

Details of executive options are set out in Note 26.

NOTES TO THE FINANCIAL STATEMENTS

	Note	Consolidated		Parent Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 22 Reserves					
Asset revaluation	(a)	-	-	-	-
Foreign currency translation	(b)	(5,166)	(2,799)	-	-
Options reserve	(c)	4,675	2,571	4,675	2,571
Net unrealised gain reserve	(d)	(782)	(1,174)	(805)	(1,174)
Cash flow hedge	(e)	1,912	278	-	-
		<u>639</u>	<u>(1,124)</u>	<u>3,870</u>	<u>1,397</u>

(a) Asset revaluation

Nature and purpose of reserve:

The asset revaluation reserve is used to record increments and decrements in the value of non-current assets. The reserve can only be used to pay dividends in limited circumstances.

Movements:

Opening balance	-	4,425	-	1,540
Reclassification to retained profits	-	(4,425)	-	(1,540)
Closing balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(b) Foreign currency translation

Nature and purpose of reserve:

The foreign currency translation reserve is used to record exchange difference arising from the translation of the financial statements of self sustaining foreign operations

Movements:

Opening balance	(2,799)	(5,452)	-	-
Translation of foreign operations	(2,367)	2,653	-	-
Closing balance	<u>(5,166)</u>	<u>(2,799)</u>	<u>-</u>	<u>-</u>

(c) Options Reserve

Nature and purpose of reserve:

The options reserve is used to recognise the expense of executive share options over the vesting period in which executives become entitled to exercise their options.

Movements:

Opening balance	2,571	1,032	2,571	1,032
Executive share based payment expense	2,104	1,539	2,104	1,539
Closing balance	<u>4,675</u>	<u>2,571</u>	<u>4,675</u>	<u>2,571</u>

(d) Net unrealised gain/(loss) reserve

Nature and purpose of reserve:

The net unrealised gain/(loss) reserve is used to record the fair value changes in available-for-sale investments.

Movements:

Opening balance	(1,174)	-	(1,174)	-
Fair value adjustment	392	(1,174)	369	(1,174)
Closing balance	<u>(782)</u>	<u>(1,174)</u>	<u>(805)</u>	<u>(1,174)</u>

(e) Cash flow hedge reserve

Nature and purpose of reserve:

The cash flow hedge reserve is used to record the gain or loss on interest rate swaps that are determined to be an effective hedge.

Movements:

Opening balance	278	-	-	-
Gain on interest rate swaps	1,634	278	-	-
Closing balance	<u>1,912</u>	<u>278</u>	<u>-</u>	<u>-</u>

Note 23 Commitments

Capital commitments

The following capital expenditure contracted for at balance date but not provided for in the financial statements:

Within 1 year	1,166	3,385	-	-
1 to 5 years	-	93	-	-
Later than 5 years	-	9	-	-
	<u>1,166</u>	<u>3,487</u>	<u>-</u>	<u>-</u>

Operating lease commitments

The Group has entered into operating leases in respect of certain items of plant and equipment and business premises.

Non cancellable operating lease commitments payable but not provided for in the financial statements:

Within 1 year	10,658	8,093	-	3
1 to 5 years	37,165	29,280	-	-
Later than 5 years	3,092	2,320	-	-
	<u>50,915</u>	<u>39,693</u>	<u>-</u>	<u>3</u>

NOTES TO THE FINANCIAL STATEMENTS

	Note	Consolidated		Parent Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 23 Commitments (continued)					
Finance lease commitments					
The Group has entered into finance leases in respect of certain items of plant and equipment. The terms of finance leases are generally 3 years.					
Finance lease commitments payable:					
Within 1 year		904	715	251	151
1 to 5 years		454	1,165	-	278
		<u>1,358</u>	<u>1,880</u>	<u>251</u>	<u>429</u>
Less Future finance charges:					
Within 1 year		(67)	(106)	(14)	(28)
1 to 5 years		(24)	(72)	-	(16)
		<u>1,267</u>	<u>1,702</u>	<u>237</u>	<u>385</u>
Represent the net present value of lease liabilities as provided for in the financial statements:					
<i>Continuing operations</i>					
Current	17	710	609	237	123
Non current	17	365	1,093	-	262
		<u>1,075</u>	<u>1,702</u>	<u>237</u>	<u>385</u>
<i>Discontinued operations</i>					
Current	17	127	-	-	-
Non current	17	65	-	-	-
		<u>192</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>1,267</u>	<u>1,702</u>	<u>237</u>	<u>385</u>

Note 24 Contingencies

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

As explained in Note 28, the parent company has entered into a Deed of Cross Guarantee and Assumption Deeds in accordance with a class order issued by the Australian Securities and Investment Commission. The parent company and all of its controlled entities (except for the entities listed in Note 28 as not being parties to the deeds) that are a party to the deeds, have guaranteed the repayment of all current and future creditors in the event that any of these are wound up.

Note 25 Employee benefits

		Number	Number	Number	Number
		\$'000	\$'000	\$'000	\$'000
The number of full-time equivalents as at 30 June are:					
		1,216	1,213	42	24
The aggregate employee entitlement liability is comprised of:					
<i>Continuing operations</i>					
Annual leave		5,088	5,687	480	367
Long service leave		4,862	5,844	440	362
Associated on costs		1,466	1,725	138	140
	18	<u>11,416</u>	<u>13,256</u>	<u>1,058</u>	<u>869</u>
<i>Discontinued operations</i>					
Annual leave		728	-	-	-
Long service leave		1,146	-	-	-
Associated on costs		281	-	-	-
		<u>2,155</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note 26 Share based payment plans

Executive option plans are as follows:

Options linked to Total Shareholder Return ("TSR Options")

On 1 November 2002, 400,000 executive options were issued to the Managing Director which will vest and become exercisable in two equal tranches, each subject to separate performance hurdles. The performance hurdle applicable to the first tranche ("Tranche 1") of 200,000 options will be measured against Total Shareholder Return ("TSR"). TSR measures share price change plus dividends paid by the company, and shall be compared against the S&P/ASX 200 Media Accumulation Index of companies, excluding The News Corporation Limited and Publishing and Broadcasting Limited ("Index"). If, on the third anniversary of the date of grant, the company's TSR exceeds the average TSR of the Index, the TSR Options will vest and the Managing Director will be entitled to exercise the TSR Options at any time from the date of vesting until the seventh anniversary. There are no cash settlement alternatives.

Options linked to Earnings Per Share ("EPS Options")

The second tranche ("Tranche 2") of 200,000 options will (subject to attainment of the relevant performance hurdles) vest in three equal tranches: one third vesting on 1 July 2003, one third on 1 July 2004, and one third on 1 July 2005. The EPS Options will vest if the Earnings Per Share ("EPS") of the company increases by not less than 7.5% in the financial year preceding each relevant vesting date. If the EPS does not meet the performance hurdle for a respective year, the EPS performance hurdles may be treated as cumulative and those EPS Options may vest (and be exercised) if the cumulative EPS growth is not less than the cumulative EPS performance hurdles at any time up to the fifth anniversary of the date of grant. Shares allotted pursuant to the exercise of the options will rank equally with the issued ordinary shares in the company. On 1 July 2005, the third tranche of options has vested. There are no cash settlement alternatives.

NOTES TO THE FINANCIAL STATEMENTS

Note 26 Share based payment plans (continued)

Executive Performance Plan Options

On 16 November 2006, 211,700 (10 November 2005, 248,000) executive options were issued to executives of the company under the Southern Cross Executive Performance Plan (of which 50,000 (2005: 50,000)) were issued to the Managing Director). These options will become available for vesting in two equal tranches on the third and fourth anniversaries of the issue date respectively. The number of options from each tranche that do vest will be determined with reference to the total shareholder return (TSR) of the parent entity compared to the TSR of companies in the S&P/ASX 200 Industrial Accumulation Index. A TSR equivalent to that of the 51st percentile of companies ranked within the index on each applicable vesting date will result in 52% of the options available within the relevant tranche vesting. Should the parent entity's equivalent ranking be higher, an additional 2% of the options will vest for each additional percentile matched. A TSR equivalent to that of the 75th percentile or higher within the index will therefore result in 100% of the options available within a tranche vesting. Options from both tranches can be exercised at any time after they vest until they expire on the 5th anniversary of the issue date. There are no cash settlement alternatives.

Employee share plan

In 1988, the company established an employee share plan which offered partly paid ordinary shares to all employees with one or more years service. To participate in the Plan, the initial capital outlay was 2.5 cents per share. After a qualifying period of 5 years from the commencement date, the total cost of the shares to the employee is the specified price which is the market price on the date of issue. If an employee leaves the consolidated entity prior to the expiry of the qualifying period of 5 years, an excess equivalent to 20% of the difference between the prevailing market price and the specified price is payable for every year less than the 5 years. Between the commencement of the plan and 1989, 1,007,900 partly paid shares were issued to employees. In 1992, the company bought back a substantial portion of the issued partly paid shares, leaving a balance of 333,550 shares held by 35 employees. As at 30 June 2007 the entity has 272,300 (2006: 272,300) issued partly paid shares, held by 32 employees. There are no cash settlement alternatives.

The following table illustrates the number and weighted average exercise prices (WAEP) of and movements in share options issued during the year:

	2007		2006	
	Number	WAEP	Number	WAEP
Outstanding at the beginning of the year	2,212,567	9.34	2,666,167	10.46
Granted during the year	211,700	0.00	248,000	0.00
Forfeited during the year	-	-	(201,600)	9.19
Exercised during the year	(556,667)	10.92	(500,000)	10.72
Outstanding at the end of the year	<u>1,867,600</u>	<u>7.81</u>	<u>2,212,567</u>	<u>9.34</u>

The weighted average remaining contractual life for the share options outstanding as at 30 June 2007 is between 1 and 4 years (2006: 1 and 4 years).

The range of exercise prices for options outstanding at the end of the year was \$0 - \$12.35 (2006: \$0 - \$12.35).

The weighted average fair value of options granted during the year was \$7.10 (2006: \$6.92).

The weighted average share price at the date of exercise is \$12.78 (2006: \$13.86)

The following table lists the inputs to the model for the year ended 30 June 2007 to value the two option tranches:

	2007	
	Tranche 1	Tranche 2
Dividend Yield (%)	5.02	5.02
Expected volatility (%)	23.06	23.06
Risk free Rate (%)	6.19	6.18
Expected life of options (years)	5	5
Options exercise price (\$)	0	0
Weighted average share price (\$)	14.49	14.49

It has been assumed that the historical volatility of Southern Cross shares is the best measure of future volatility of shares during the life of the options. Due to the long term nature of the underlying options, the annualised historical volatility of the share price has been used. This approach is consistent with standard market practice.

The options have been valued using market data as at the grant date. A Monte-Carlo simulation-based model has been used to test the TSR based performance condition. The Monte-Carlo simulation model incorporates the impact of the TSR performance condition and the vesting scale on the fair value of the options.

The amount expensed in relation to options for the year ended 30 June 2007 was \$2,104,000 (2006: \$1,539,000).

Executive options over ordinary shares in the parent company:

Date of grant	16 Nov 2006	10 Nov 2005	10 Nov 2004	10 Nov 2004	1 Nov 2002	1 Nov 2001
	Number '000	Number '000	Number '000	Number '000	Number '000	Number '000
On issue at the beginning of the year	-	225	197	1,034	267	490
Issued or replaced during the year	212	-	-	-	(67)	(490)
Forfeited during the year	-	-	-	-	-	-
On issue at the end of the year	<u>212</u>	<u>225</u>	<u>197</u>	<u>1,034</u>	<u>200</u>	<u>-</u>
Number of recipients	22	27	26	27	1	8
Exercise price	\$0.00	\$0.00	\$0.00	\$12.35	\$9.10	\$11.17
Exercise period	Nov 2009 to Nov 2011	Nov 2008 to Nov 2010	Nov 2007 to Nov 2009	Nov 2007 to Nov 2009	Jul 2003 to Nov 2009	Nov 2004 to Nov 2006
Expiry date	16 Nov 2011	10 Nov 2010	10 Nov 2009	10 Nov 2009	1 Nov 2009	1 Nov 2006

Each executive option entitles the holder to purchase one share. Persons entitled to exercise these options have no right, by virtue of the options, to participate in any share issue by the parent company or any body corporate. At 30 June 2007, 1,867,600 options had been issued and not yet exercised (2006: 2,212,567). Of these 200,000 had vested to the option holders (2006: 556,667) and were available to be exercised subject to relevant exercise dates.

NOTES TO THE FINANCIAL STATEMENTS

Note 27 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 Marketing 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.

	Continuing Operations		Discontinued Operations		Consolidated	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revenue						
Sales revenue						
Television	237,378	229,192	72,847	82,219	310,225	311,411
Radio	107,629	103,899	-	-	107,629	103,899
Film & television production & distribution	162,506	121,356	-	-	162,506	121,356
Other	7,333	7,229	-	-	7,333	7,229
	<u>514,846</u>	<u>461,676</u>	<u>72,847</u>	<u>82,219</u>	<u>587,693</u>	<u>543,895</u>
Other operating revenue						
Television	3,734	4,232	2,008	1,915	5,742	6,147
Radio	651	1,255	-	-	651	1,255
Film & television production & distribution	1,239	930	-	-	1,239	930
Other	5,352	6,052	-	-	5,352	6,052
	<u>10,976</u>	<u>12,469</u>	<u>2,008</u>	<u>1,915</u>	<u>12,984</u>	<u>14,384</u>
Finance revenue	1,327	1,454	-	-	1,327	1,454
Total revenue	<u>527,149</u>	<u>475,599</u>	<u>74,855</u>	<u>84,134</u>	<u>602,004</u>	<u>559,733</u>
Result						
Results						
Television (a)	64,466	61,236	3,753	921	68,219	62,157
Radio (b)	22,985	17,123	-	-	22,985	17,123
Film & television production & distribution (c)	9,104	5,189	-	-	9,104	5,189
Other (d)	(4,878)	(1,146)	-	-	(4,878)	(1,146)
	<u>91,677</u>	<u>82,402</u>	<u>3,753</u>	<u>921</u>	<u>95,430</u>	<u>83,323</u>
Share of associates' net profit equity accounted						
Television	21	13	-	-	21	13
Radio	1	18	-	-	1	18
Film & television production & distribution	6,006	5,716	-	-	6,006	5,716
	<u>6,028</u>	<u>5,747</u>	<u>-</u>	<u>-</u>	<u>6,028</u>	<u>5,747</u>
Finance revenue	1,327	1,454	-	-	1,327	1,454
Finance costs	(14,085)	(18,204)	(19)	(20)	(14,104)	(18,224)
Profit before income tax expense	84,947	71,399	3,734	901	88,681	72,300
Income tax expense	(26,975)	(21,949)	(1,171)	(129)	(28,146)	(22,078)
Profit after tax	57,972	49,450	2,563	772	60,535	50,222
Profit attributable to minority interests	(104)	(119)	-	-	(104)	(119)
Net profit attributable to members of the parent	<u>57,868</u>	<u>49,331</u>	<u>2,563</u>	<u>772</u>	<u>60,431</u>	<u>50,103</u>

(a) The result of the television segment is \$68,678,000 before significant items (2006: \$63,311,000)

(b) The result of the radio segment is \$23,096,000 before significant items (2006 \$18,266,000)

(c) The result of the film and television production and distribution segment is \$10,073,000 before significant items (2006 \$6,435,000)

(d) The result of the other segment is a loss of \$3,259,000 before significant items (2006 loss of \$993,000)

NOTES TO THE FINANCIAL STATEMENTS

Note 27 Segment information (continued)

Industry Segments (continued)

	Continuing Operations		Discontinued Operations		Consolidated	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Assets and liabilities						
Depreciation and amortisation						
Television	10,070	10,298	1,686	1,652	11,756	11,950
Radio	1,684	1,645	-	-	1,684	1,645
Film & television production & distribution	660	850	-	-	660	850
Other	3,419	3,338	-	-	3,419	3,338
	<u>15,833</u>	<u>16,131</u>	<u>1,686</u>	<u>1,652</u>	<u>17,519</u>	<u>17,783</u>
Assets						
Television	491,775	621,418	125,294	-	617,069	621,418
Radio	173,650	172,864	-	-	173,650	172,864
Film & television production & distribution	179,068	172,328	-	-	179,068	172,328
Other	106,232	84,623	-	-	106,232	84,623
	<u>950,725</u>	<u>1,051,233</u>	<u>125,294</u>	<u>-</u>	<u>1,076,019</u>	<u>1,051,233</u>
Liabilities						
Television	52,959	82,123	36,930	-	89,889	82,123
Radio	8,538	8,127	-	-	8,538	8,127
Film & television production & distribution	69,606	73,069	-	-	69,606	73,069
Other	264,326	268,997	-	-	264,326	268,997
	<u>395,429</u>	<u>432,316</u>	<u>36,930</u>	<u>-</u>	<u>432,359</u>	<u>432,316</u>
Acquisitions of property, plant and equipment, intangible assets and other non current assets:						
Television	9,760	9,462	245	-	10,005	9,462
Radio	796	3,659	-	-	796	3,659
Film & television production & distribution	12,718	5,336	-	-	12,718	5,336
Other	2,742	15,413	-	-	2,742	15,413
	<u>26,016</u>	<u>33,870</u>	<u>245</u>	<u>-</u>	<u>26,261</u>	<u>33,870</u>
Share of equity accounted investments						
Television	81	60	-	-	81	60
Radio	2	2	-	-	2	2
Film & television production & distribution	3,989	3,837	-	-	3,989	3,837
	<u>4,072</u>	<u>3,899</u>	<u>-</u>	<u>-</u>	<u>4,072</u>	<u>3,899</u>

Other Segment's revenue and result are net of eliminations of inter-segment transactions. Other Segment's liabilities include borrowings. Acquisitions of property, plant and equipment, intangible assets and other non current assets include those acquired through entities acquired.

Geographic Segments

The consolidated entity's operating and financial information can also be determined on a geographical basis, according to the predominant location of each operating company's customers, assets and liabilities.

Revenue						
Sales revenue						
Australia	375,994	360,242	72,847	82,219	448,841	442,461
United Kingdom	138,852	101,434	-	-	138,852	101,434
	<u>514,846</u>	<u>461,676</u>	<u>72,847</u>	<u>82,219</u>	<u>587,693</u>	<u>543,895</u>
Other operating revenue						
Australia	10,974	11,961	2,008	1,915	12,982	13,876
United Kingdom	2	508	-	-	2	508
	<u>10,976</u>	<u>12,469</u>	<u>2,008</u>	<u>1,915</u>	<u>12,984</u>	<u>14,384</u>
Finance revenue	1,327	1,454	-	-	1,327	1,454
Total revenue	<u>527,149</u>	<u>475,599</u>	<u>74,855</u>	<u>84,134</u>	<u>602,004</u>	<u>559,733</u>
Result						
Results						
Australia	81,065	72,539	3,753	921	84,818	73,460
United Kingdom	10,612	9,863	-	-	10,612	9,863
	<u>91,677</u>	<u>82,402</u>	<u>3,753</u>	<u>921</u>	<u>95,430</u>	<u>83,323</u>
Share of associates' net profit / (loss) equity accounted						
Australia	6,028	5,747	-	-	6,028	5,747
United Kingdom	-	-	-	-	-	-
	<u>6,028</u>	<u>5,747</u>	<u>-</u>	<u>-</u>	<u>6,028</u>	<u>5,747</u>
Finance revenue	1,327	1,454	-	-	1,327	1,454
Finance cost	(14,085)	(18,204)	(19)	(20)	(14,104)	(18,224)
Profit before income tax expense	84,947	71,399	3,734	901	88,681	72,300
Income tax expense	(26,975)	(21,949)	(1,171)	(129)	(28,146)	(22,078)
Profit after tax	57,972	49,450	2,563	772	60,535	50,222
Profit attributable to minority interests	(104)	(119)	-	-	(104)	(119)
Net profit attributable to member of the parent	<u>57,868</u>	<u>49,331</u>	<u>2,563</u>	<u>772</u>	<u>60,431</u>	<u>50,103</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 27 Segment information (continued)	Continuing Operations		Discontinued Operations		Consolidated	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Geographic Segments (continued)						
Assets and liabilities						
Depreciation and amortisation						
Australia	15,523	15,802	1,686	1,652	17,209	17,454
United Kingdom	310	329	-	-	310	329
	<u>15,833</u>	<u>16,131</u>	<u>1,686</u>	<u>1,652</u>	<u>17,519</u>	<u>17,783</u>
Assets						
Australia	860,913	967,238	125,294	-	986,208	967,238
United Kingdom	89,811	83,995	-	-	89,811	83,995
	<u>950,724</u>	<u>1,051,233</u>	<u>125,294</u>	<u>-</u>	<u>1,076,019</u>	<u>1,051,233</u>
Liabilities						
Australia	385,135	419,809	36,930	-	422,065	419,809
United Kingdom	10,294	12,507	-	-	10,294	12,507
	<u>395,429</u>	<u>432,316</u>	<u>36,930</u>	<u>-</u>	<u>432,359</u>	<u>432,316</u>
Acquisitions of property, plant and equipment, intangible assets and other non current assets						
Australia	20,576	28,879	245	-	20,821	28,879
United Kingdom	5,440	4,991	-	-	5,440	4,991
	<u>26,016</u>	<u>33,870</u>	<u>245</u>	<u>-</u>	<u>26,261</u>	<u>33,870</u>
Share of equity accounted investments						
Australia	4,072	3,899	-	-	4,072	3,899
United Kingdom	-	-	-	-	-	-
	<u>4,072</u>	<u>3,899</u>	<u>-</u>	<u>-</u>	<u>4,072</u>	<u>3,899</u>

Note 28 Related party disclosures	Country of Incorporation	Ownership Interest	
		2007 %	2006 %
Parent entity			
Southern Cross Broadcasting (Australia) Limited	Australia		
Controlled entities			
Directly controlled by Southern Cross Broadcasting (Australia) Limited			
Southern Cross Communications Limited	Australia	100	100
Southern Cross Treasury Pty Limited	Australia	100	100
Southern Cross Sales Pty Limited	Australia	100	100
Kamora Pty Limited	Australia	100	100
Tricom Group Pty Limited	Australia	100	100
Southern Star Group Limited	Australia	100	100
Tricom Radio Holdings Pty Limited	Australia	100	100
Directly controlled by Southern Cross Communications Limited			
Northern Rivers Television Pty Limited	Australia	100	100
Regional Television Pty Limited	Australia	100	100
Southern Cross Telecommunications Pty Limited	Australia	100	100
Australian Capital Television Pty Limited	Australia	100	100
Southern Cross Network (Production) Pty Limited	Australia	100	100
Southern Cross Television (TNT9) Pty Limited	Australia	100	100
Spencer Gulf Telecasters Limited	Australia	100	100
Directly controlled by Australian Capital Television Pty Limited			
Channel 9 South Australia Pty Limited	Australia	100	100
Directly controlled by Spencer Gulf Telecasters Limited			
Central Online Pty Limited	Australia	100	100
Video Central Pty Limited	Australia	100	100
Broken Hill Television Limited	Australia	89.4	89.4
Directly controlled by Tricom Radio Holdings Pty Limited			
Radio 2UE Sydney Pty Limited	Australia	100	100
3AW Southern Cross Radio Pty Limited	Australia	100	100
Radio 4BC Brisbane Pty Limited	Australia	100	100
Queensland Radio 2000 Pty Limited	Australia	100	100
6PR Southern Cross Radio Pty Limited	Australia	100	100
1278 Southern Cross Radio Pty Limited	Australia	100	100
96FM Southern Cross Radio Pty Limited	Australia	100	100
Southern Cross Syndication Pty Limited	Australia	100	100
Satellite Marketing Australia Pty Limited	Australia	100	100
Directly controlled by Tricom Group Pty Limited			
Fantasports Australia Pty Limited	Australia	100	100

NOTES TO THE FINANCIAL STATEMENTS

Note 28 Related party disclosures (continued)

Directly controlled by Satellite Marketing Australia Pty Limited

Satellite Music Australia Pty Limited	Australia	100	100
Satellite Interactive Marketing Pty Limited	Australia	100	100
Digital Radio Australia Pty Limited	Australia	100	100

Directly controlled by Southern Star Group Limited

Southern Star Film Sales Pty Limited	Australia	100	100
Southern Star Operations Pty Limited	Australia	100	100
Southern Star Singapore Pte Ltd	Singapore	100	100
Southern Star Entertainment Plc	United Kingdom	100	100

Directly controlled by Southern Star Operations Pty Limited

Southern Star Entertainment Pty Limited	Australia	100	100
SS Group Funds Pty Limited	Australia	100	100
ACN 002 642 266 Pty Limited	Australia	100	100

Directly controlled by ACN 002 642 266 Pty Limited

Southern Star Film Investments Pty Limited	Australia	100	100
Southern Star Group Inc	United States of America	100	100

Directly controlled by Southern Star Entertainment Plc

Southern Star Sales (UK) Limited	United Kingdom	100	100
Darrall Macqueen Limited	United Kingdom	75	75
Primetime Limited	United Kingdom	100	100
Carnival Film & Television Ltd	United Kingdom	100	100

Directly controlled by Primetime Limited

Oxford Scientific Films Limited	United Kingdom	100	100
Southern Star International Limited	United Kingdom	100	100

Directly controlled by Southern Star Entertainment Pty Limited

Southern Star Productions No. 1 Pty Limited	Australia	100	100
Southern Star Productions No. 2 Pty Limited	Australia	100	100
Southern Star Productions No. 3 Pty Limited	Australia	100	100
Southern Star Productions No. 4 Pty Limited	Australia	100	100
Southern Star Productions No. 5 Pty Limited	Australia	100	100
Southern Star Productions No. 6 Pty Limited	Australia	100	100
Southern Star Productions No. 7 Pty Limited	Australia	100	100
Southern Star Productions No. 8 Pty Limited	Australia	100	100
Southern Star Productions No. 9 Pty Limited	Australia	100	100
Southern Star Productions No. 10 Pty Limited	Australia	100	100
Southern Star Productions No. 11 Pty Limited	Australia	100	100

Directly controlled by Darrall Macqueen Limited

Darrall Macqueen Artist Management Limited	United Kingdom	100	100
Darrall Macqueen West Limited	United Kingdom	100	100

Directly controlled by Carnival (Films and Theatre) Plc

Blenheim Films Limited	United Kingdom	100	100
Rosemary and Thyme Enterprises Limited	United Kingdom	100	100
Depotsound Limited	United Kingdom	100	100
Carnival (Charles Dickens) Limited	United Kingdom	100	100

Directly controlled by Southern Star Singapore Pte Limited

Southern Star Singapore No. 2 Pte Limited	Singapore	100	100
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All controlled entities are wholly owned and incorporated or formed in Australia unless otherwise stated. All controlled entities (except for the entities listed below), are relieved from the requirement to prepare audited accounts under the ASIC Class Order dated 19 December 1991 as they and the parent company are party to a deed of cross guarantee dated 2 June 1992 and assumption deeds dated 28 June 1995, 28 June 1999, 11 June 2002, 27 June 2003 and 22 June 2004.

The effect of the deed is that Southern Cross Broadcasting (Australia) Limited has guaranteed to pay any deficiency in the event of winding up of a controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Southern Cross Broadcasting (Australia) Limited is wound up or if it does not meet its obligation under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

The entities that are not parties to the deeds are:

- o Broken Hill Television Pty Limited
- o Southern Star Singapore Pte Limited
- o Southern Star Entertainment Plc
- o Southern Star Group Inc
- o Southern Star Sales (UK) Limited
- o Primetime Limited
- o Rosemary and Thyme Enterprises Limited
- o Carnival (Charles Dickens) Limited
- o Blenheim Films Limited
- o Southern Star International Limited
- o Carnival Film & Television Ltd
- o Darrall Macqueen Limited
- o Oxford Scientific Films Limited
- o Darrall Macqueen Artist Management Limited
- o Darrall Macqueen West Limited
- o Depotsound Limited
- o Southern Star Singapore No. 2 Pte Limited

NOTES TO THE FINANCIAL STATEMENTS

Note 28 Related party disclosures (continued)

	Consolidated	
	2007 \$'000	2006 \$'000
The consolidated Income Statement and Balance Sheet of the entities that are members of the "Closed Group" are as follows:		
Balance Sheet		
Assets		
Current assets		
Cash and cash equivalents	5,947	17,844
Trade and other receivables	89,345	83,640
Inventories	5,576	14,120
Derivatives	2,731	1,862
Other	13,130	7,242
Current Tax assets	5,033	-
Assets of disposal group and non-current assets classified as held for sale	125,294	-
Total current assets	247,056	124,708
Non current assets		
Trade and other receivables	1,968	1,521
Inventories	2,969	12,744
Investment in associates	4,072	3,899
Available-for-sale financial assets	3,354	1,852
Other financial assets	60,463	61,468
Property, plant and equipment	143,904	152,825
Deferred tax assets	15,734	19,531
Television and radio licences	489,587	573,992
Intangible assets	60,990	61,080
Other	11,498	11,503
Total non current assets	794,539	900,415
Total assets	1,041,595	1,025,123
Liabilities		
Current liabilities		
Trade and other payables	71,958	105,528
Interest bearing loans and borrowings	5,780	7,141
Current tax liabilities	21,356	4,101
Provisions	10,444	14,900
Deferred government grants	10,495	3,168
Liabilities directly associated with disposal group and non current assets classified as held for sale	36,930	-
Total current liabilities	156,963	134,838
Non current liabilities		
Trade and other payables	19,321	12,165
Interest bearing loans and borrowings	199,066	210,541
Deferred tax liabilities	28,312	35,774
Provisions	4,236	2,750
Deferred government grants	10,855	20,742
Retirement benefit obligations	278	975
Total non current liabilities	262,068	282,947
Total liabilities	419,031	417,785
Net assets	622,564	607,338
Equity		
Issued capital	583,431	570,362
Reserves	8,627	3,247
Retained profits	30,506	33,729
Total parent interests	622,564	607,338
Total minority interests	-	-
Total equity	622,564	607,338

NOTES TO THE FINANCIAL STATEMENTS

	Note	Consolidated		Parent Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 28 Related party disclosures (continued)					
Income Statement					
Sales revenue		371,327	360,437		
Finance revenue		914	953		
Other operating revenue		10,300	13,214		
Revenue		382,541	374,604		
Other income		3,095	919		
Programming and transmission expenses		(156,459)	(157,902)		
Film & television, production and distribution		(9,763)	(14,190)		
Administration expenses		(64,540)	(59,750)		
Sales and marketing expenses		(73,364)	(69,147)		
Profit from continuing operations before tax and finance costs		81,510	74,534		
Borrowing costs		(13,772)	(17,977)		
Share of net profits of associates		6,028	5,938		
Profit from continuing operations		73,766	62,495		
Income tax expense relating to ordinary activities		(25,968)	(21,800)		
Profit after tax from continuing operations		47,798	40,695		
Discontinued operations					
Profit after tax from discontinued operations		2,563	772		
Profit for the year		50,361	41,467		

Ownership interests in related parties

Interests held in associated entities are set out in Note 10.

Ultimate parent

The ultimate controlling entity is Southern Cross Broadcasting (Australia) Limited.

Wholly-owned group transactions

During the financial year, the ultimate parent received loans, advanced and repaid loans to controlled entities. Loans advanced to controlled entities are interest bearing and have no specified terms of repayment. The ultimate parent provided management services to controlled entities on commercial terms and conditions.

The following summarises transactions between the ultimate parent and controlled entities during the year:

Receivables (current & non current) at the end of the year		704,907	656,394
Payables (current & non current) at the end of the year		228,403	220,178
Dividends received		58,500	37,500
Interest received		4,423	3,708
Management fees received		13,464	13,500

Other related parties

The following summarises transactions between the ultimate parent and associated entities during the year:

Receivables (current & non current) at the end of the year	7	2,729	2,013	2,291	1,915
Payables (non current) at the end of the year	17	1,238	3,448	-	-

Note 29 Remuneration of key management personnel

Remuneration of key management personnel is disclosed in the section titled Remuneration Report (pages XX to XX), which forms an integral part of these financial statements. Additional disclosure of remuneration of key management personnel is set out below.

Options vested during the year

Options vested during the year as equity compensation to key management personnel, under the Executive Option Plan and Executive Performance Plan.

	2007 Number	2006 Number
Director		
Anthony E Bell	200,000	126,667
Executives		
Bruce Abraham	-	9,000
Eddie Chia	-	24,000
Graham Mott	-	18,000

NOTES TO THE FINANCIAL STATEMENTS

Note 29 Remuneration of directors and executives (continued)

Shares issued on exercise of remuneration options

During the year options issued as remuneration to key management personnel were exercised. The following summaries information about the shares issued as a result:

	2007	
	Shares issued Number	Fully paid \$ per share
Director		
Anthony E Bell	200,000	11.17
Anthony E Bell	66,667	9.10
Executives		
Bruce Abraham	30,000	11.17
Eddie Chia	80,000	11.17
Graham Mott	60,000	11.17

Options Granted

During the year, options were granted to key management personnel. The following summaries the information about the granting of these options:

30 June 2007

Expiry Date	Options Granted Number	Grant Date	Fair value per option at grant date \$	Exercise price per option \$
16 November 2011	105,850	16/11/2006	7.30	0.00
16 November 2011	105,850	16/11/2006	6.90	0.00

30 June 2006

Expiry Date	Options Granted Number	Grant Date	Fair value per option at grant date \$	Exercise price per option \$
10 November 2010	70,100	10/11/2005	7.00	0.00
10 November 2010	70,100	10/11/2005	6.84	0.00

Option holdings

The following summarises information about the movements in options held by and vested to key management personnel during the year. Directors who are non-executive directors do not hold any options over unissued shares in the company.

	Balance at 1 July 2006	Granted as Remuneration	Options Exercised	Net Other Changes	Balance at 30 June 2007
Director					
Anthony E Bell	795,667	50,000	(266,667)	-	579,000
Executives					
Bruce Abraham	107,550	12,100	(30,000)	-	89,650
Stuart Boxer	77,550	12,100	-	-	89,650
Eddie Chia	136,400	8,800	(80,000)	-	65,200
Hugh Marks	77,550	12,100	-	-	89,650
Graham Mott	137,550	12,100	(60,000)	-	89,650
Cathy Payne	77,550	12,100	-	-	89,650

Vested at 30 June 2007

Vested at 30 June 2006

	Vested at 30 June 2007			Vested at 30 June 2006		
	Total	Exercisable	Not Exercisable	Total	Exercisable	Not Exercisable
Director						
Anthony E Bell	200,000	200,000	-	266,667	266,667	-
Executives						
Bruce Abraham	-	-	-	30,000	30,000	-
Eddie Chia	-	-	-	80,000	80,000	-
Graham Mott	-	-	-	60,000	60,000	-

NOTES TO THE FINANCIAL STATEMENTS

Note 29 Remuneration of directors and executives (continued)

Shareholdings

The following summarises information about the movement in shares held by key management personnel during the year:

Ordinary shares

	Balance at 30 June 2006	Granted as Remuneration	Options Exercised	Preference shares converted	Net Other Changes	Balance at 30 June 2007
Directors						
Geoffrey D Allen	26,400	-	-	-	702	27,102
Neil R Balnaves	2,590,086	-	-	-	-	2,590,086
Anthony E Bell	94,866	-	266,667	-	(257,301)	104,232
Charles G Clark	17,572	-	-	-	-	17,572
John C Dahlsen	876,506	-	-	-	-	876,506
Marina Darling	11,042	-	-	-	294	11,336
David R Kingston	15,150	-	-	-	-	15,150
Colin J Smith	700	-	-	-	-	700
Executives						
Bruce Abraham	1,000	-	30,000	-	(30,000)	1,000
Stuart Boxer	-	-	-	-	-	-
Eddie Chia	17,311	-	80,000	-	(74,407)	22,904
Hugh Marks	-	-	-	-	-	-
Graham Mott	-	-	60,000	-	(60,000)	-
Cathy Payne	33,181	-	-	-	882	34,063

Partly Paid Shares

	Balance at 30 June 2006	Granted as Remuneration	Shares	paid up	Net Other Changes	Balance at 30 June 2007
Directors						
Geoffrey D Allen	-	-	-	-	-	-
Neil R Balnaves	-	-	-	-	-	-
Anthony E Bell	-	-	-	-	-	-
Charles G Clark	6,000	-	-	-	-	6,000
John C Dahlsen	6,000	-	-	-	-	6,000
Marina Darling	-	-	-	-	-	-
David R Kingston	-	-	-	-	-	-
Colin J Smith	-	-	-	-	-	-

Executives did not hold any held partly paid shares in the company during the last two financial years.

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if at arm's length.

	Consolidated		Parent Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Compensation of Key Management Personnel				
Short term employment benefits				
Salary and fees	4,112	3,878	2,883	2,718
Short term incentive	1,000	658	473	310
Non monetary benefits	315	302	227	232
Post employment benefits				
Superannuation	452	435	348	341
Share based payment				
Long term incentive	1,126	885	787	619
	<u>7,005</u>	<u>6,158</u>	<u>4,718</u>	<u>4,220</u>

Loans to directors and executives

At 30 June 2007, there were no amounts loaned to or from key management personnel of the beneficiary.

Other transactions and balances with directors and executives

During the year services were provided to the consolidated entity by LEK Consulting Pty Limited which is associated with C J Smith, a director of the parent company.

Consultancy services were provided to the consolidated entity by K Capital Pty Limited which is controlled by D R Kingston, a director of the parent company.

All transactions entered into with these entities are on commercial terms no more favourable than those to other suppliers.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Parent Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000

Note 30 Cash and cash equivalents

Reconciliation of cash and cash equivalents

Cash and cash equivalents 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	<u>25,442</u>	<u>28,862</u>	<u>7</u>	<u>7</u>
	<u><u>25,442</u></u>	<u><u>28,862</u></u>	<u><u>7</u></u>	<u><u>7</u></u>

Cash at bank earns interest at variable bank deposit rates.

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

Operating profit after income tax	60,535	50,222	59,287	34,009
Add/(Less):				
Depreciation and amortisation	17,518	17,783	681	680
Profit on sale of investments	-	164	-	-
Net loss/(profit) on disposal of property plant and equipment	(533)	24	3	(15)
Loss on closure of business	-	528	-	-
Provision for write down of receivable from associate	-	627	-	-
Share of associates' net profit	(6,028)	(5,746)	-	-
Executive share based payment expense	2,104	1,539	2,104	1,539
Cash flow hedge expense	-	(80)	-	-
Net exchange differences	1,004	(235)	-	-
Other non cash adjustments	(968)	-	432	-
Net change in assets and liabilities :				
Receivables	(16,192)	10,850	(27,553)	1,204
Inventories	(3,928)	5,666	-	-
Prepayments	(508)	1,864	272	(95)
Taxation provisions	8,389	(2,749)	18,566	(233)
Accounts payable	8,445	(15,253)	9,672	4,967
Other assets and liabilities	753	734	794	(11)
	<u><u>70,591</u></u>	<u><u>65,938</u></u>	<u><u>64,258</u></u>	<u><u>42,045</u></u>

Non cash financing and investing activities

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

	<u><u>136</u></u>	<u><u>444</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
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These acquisitions are not reflected in the Statement of Cash Flows.

Note 31 Business combinations

2007

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.

	2007	2006
	\$'000	\$'000

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

Trade and other receivables	5	-
Other assets and liabilities	<u>3</u>	<u>-</u>
	<u><u>8</u></u>	<u><u>-</u></u>

Cash consideration	<u>13</u>	<u>-</u>
Inflow of cash to dispose of the entity	<u><u>13</u></u>	<u><u>-</u></u>

2006

Controlled entities acquired

Acquisition of Satellite Marketing Australia

On 1 July 2005, the Group acquired a 100% interest in Satellite Marketing Australia, an unlisted company based in Australia specialising in digital music distribution to subscribers. The total cost of the acquisition was \$11,092,000 and comprised of cash and costs directly attributable to the acquisition.

Acquisition of Darrall Macqueen

On 1 October 2005, the group acquired a 75% interest in Darrall Macqueen, a television production company in the UK. The total cost of the acquisition was \$4,744,000 and comprised of cash and costs directly attributable to the acquisition.

NOTES TO THE FINANCIAL STATEMENTS

Note 31 Business combinations (continued)

	Consolidated	
	2007 \$'000	2006 \$'000
Cash	-	12,462
Additional costs	-	560
Deferred settlement amounts	-	2,814
Total consideration	<u>-</u>	<u>15,836</u>
The amounts of assets and liabilities acquired by major class are:		
Cash	-	1,202
Receivables	-	1,205
Property, plant and equipment	-	1,312
Goodwill	-	15,227
Accounts payable	-	(3,003)
	<u>-</u>	<u>15,943</u>
Minority Interest	-	(107)
	<u>-</u>	<u>15,836</u>
Net cash effect of acquisitions:		
Cash consideration	-	12,462
Cash balance acquired	-	(1,202)
Outflow of cash to acquire the entities	<u>-</u>	<u>11,260</u>

Controlled entities disposed

No entities were disposed in this financial period.

Note 32 Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise bank overdrafts, revolving cash advances, finance leases and hire purchase contracts, and cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group also enters into derivative transactions, including principally interest rate swaps and forward exchange contracts. The purpose is to manage the interest rate and currency risk arising from the Group's operations and its sources of finance. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt and to keep between 50% and 80% of its borrowings at fixed rates of interest. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 30 June 2007, after taking into account the effect of interest rate swaps, around 50% of the Group's borrowings are at fixed rates of interest.

Foreign currency risk

As a result of investment operations in the United Kingdom, the Group's balance sheet can be affected by movements in the UK£/A\$ exchange rates. No hedging transactions are entered into to mitigate this risk as it is considered that the Group's exposure to currency fluctuations resulting from its overseas operations is not significant. The functional currency of the UK operations is UK£.

At reporting date the assets and liabilities of the UK subsidiary are translated to the presentational currency at the rate of exchange at the balance sheet date and the Income Statement is translated at the weighted average exchange rate for the period. The exchange difference arising from the translation is taken directly to a separate component of equity.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency.

Commodity price risk

The Group has no exposure to commodity price risk.

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There is no significant concentration of credit risk within the Group.

For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of key management personnel.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised third parties, there is no requirement for collateral.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, revolving cash advances, finance leases and hire purchase contracts.

NOTES TO THE FINANCIAL STATEMENTS

Note 33 Financial instruments

Fair values

All assets and liabilities recognised in the Balance Sheet, whether they are carried at cost or at fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the reporting date, is as follows:

	Weighted average effective interest rate: %	Floating interest rate \$'000	Consolidated 2007 \$'000		Non-interest bearing \$'000	Total \$'000
			Fixed interest rate 1 year or less \$'000	Fixed interest rate maturing: over 1 - 5 yrs \$'000		
Financial Assets						
Cash	4.47	25,442	-	-	-	25,442
Trade receivables (net)	-	-	-	-	129,664	129,664
Other receivables	9.94	-	9	427	9,225	9,661
Listed shares	-	-	-	-	3,324	3,324
Unlisted shares	-	-	-	-	30	30
Derivatives	-	-	-	-	2,731	2,731
Total financial assets		<u>25,442</u>	<u>9</u>	<u>427</u>	<u>144,974</u>	<u>170,852</u>
Financial Liabilities						
Trade payables	-	-	-	-	22,650	22,650
Accrued royalties	-	-	-	-	38,051	38,051
Other payables	-	-	-	-	41,013	41,013
Other loans	5.99	-	5,071	1,238	-	6,309
Finance leases	7.83	-	710	365	-	1,075
Revolving cash advance	6.59	99,000	-	100,000	-	199,000
Total financial liabilities		<u>99,000</u>	<u>5,781</u>	<u>101,603</u>	<u>101,714</u>	<u>308,098</u>

	Weighted average effective interest rate: %	Floating interest rate \$'000	Consolidated 2006 \$'000		Non-interest bearing \$'000	Total \$'000
			Fixed interest rate 1 year or less \$'000	Fixed interest rate maturing: over 1 - 5 yrs \$'000		
Financial assets						
Cash	4.11	28,862	-	-	-	28,862
Trade receivables (net)	-	-	-	-	132,402	132,402
Other receivables	9.77	-	42	444	4,534	5,020
Listed shares	-	-	-	-	1,822	1,822
Unlisted shares	-	-	-	-	30	30
Derivatives	-	-	-	-	1,862	1,862
Total financial assets		<u>28,862</u>	<u>42</u>	<u>444</u>	<u>140,650</u>	<u>169,998</u>
Financial liabilities						
Trade payables	-	-	-	-	55,511	55,511
Accrued royalties	-	-	-	-	40,317	40,317
Other payables	-	-	-	-	31,269	31,269
Other loans	4.72	-	3,081	7,863	-	10,944
Finance leases	7.67	-	609	1,093	-	1,702
Revolving cash advance	5.26	51,000	100,000	55,000	-	206,000
Total financial liabilities		<u>51,000</u>	<u>103,690</u>	<u>63,956</u>	<u>127,097</u>	<u>345,743</u>

Interest rate swaps

The consolidated entity raises short term debt (overdraft facility) at fixed rates and long term debt (revolving cash advance facility) at floating rates and is primarily exposed to the risk of adverse movements in interest rates. The consolidated entity has entered into interest rate swap agreements to fix the interest rates of part of the revolving cash advance facility. The details are:

Period	Interest Rate %	Face value \$'000
September 2006 to July 2011	6.150	100,000

The interest rate swaps require settlement of net interest receivable or payable each quarter.

During the year interest rate swaps agreement with a face value of \$30,000,000 at 4.80% and \$25,000,000 at 5.765% were terminated in June 2007 at fair values totaling \$1,382,000.

NOTES TO THE FINANCIAL STATEMENTS

Note 33 Financial instruments (continued)

Credit risk exposures

The consolidated entity's maximum exposures to credit risk at reporting date in relation to each class of financial assets, other than derivatives, is the carrying amount of those assets as indicated on the Balance Sheet.

In relation to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The consolidated entity's maximum credit risk exposure in relation to these is as follows:

Forward exchange contracts - the full amount of the foreign currency it will be required to pay or purchase when settling the forward exchange contract, should the counterparty not pay the currency it is committed to deliver to the company. At reporting date the net amount was nil (2006: Nil).

The company minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers from across a range of business segments in which the Group operates.

Foreign exchange hedging instruments

In the past, the consolidated entity entered into forward exchange contracts designed as a hedge of anticipated receipts from sales that were to be denominated in foreign currencies. Where the directors consider it appropriate the contracts were entered into to manage risk associated with the effect of foreign currency fluctuations on expected receipts. As at 30 June 2007, no foreign currency hedges were in existence.

Note 34 Discontinued operations

On 29 May 2007, the Board of Directors announced that agreement has been reached in principle for the sale of all of the issued shares in its wholly owned subsidiary, Channel 9 South Australia Pty Limited (the licensee company of Channel 9 Adelaide) to the WIN Group (WIN) for a cash consideration of \$105,000,000 (before working capital adjustment). Completion of the sale occurred on 23 July 2007.

On initial reclassification of these operations as held for sale, the Group has not recognised any impairment losses.

The results of the discontinued operations which have been included in the Income Statement are as follows. The comparative profit from discontinued operations have been re-presented to include those operations classified as discontinued in the current period:

	Note	Consolidated		Parent Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Profit from discontinued operations:					
Sales Revenue	2(a)	72,847	82,219	-	-
Other income	2(a) (b)	2,185	1,921	-	-
		<u>75,032</u>	<u>84,140</u>	<u>-</u>	<u>-</u>
Expenses					
Programming and transmission expenses		(53,050)	(64,551)	-	-
Administrative expenses		(5,218)	(4,547)	-	-
Sales and marketing expenses		(12,866)	(14,082)	-	-
Finance costs		(19)	(20)	-	-
Significant Items		(145)	(39)	-	-
		<u>3,734</u>	<u>901</u>	<u>-</u>	<u>-</u>
Profit before tax		3,734	901	-	-
Attributable income tax expense		(1,171)	(129)	-	-
		<u>2,563</u>	<u>772</u>	<u>-</u>	<u>-</u>
Profit for the year from discontinued operations		<u>2,563</u>	<u>772</u>	<u>-</u>	<u>-</u>

The major classes of assets and liabilities comprising discontinued operations at balance date are as follows:

Cash and cash equivalents	1	-	-	-
Trade and other receivables	13,719	-	-	-
Inventories	20,042	-	-	-
Property, plant and equipment	6,944	-	-	-
Television licence	84,405	-	-	-
Other assets	183	-	-	-
Total assets comprising discontinued operations	<u>125,294</u>	<u>-</u>	<u>-</u>	<u>-</u>
Trade and other payables	31,768	-	-	-
Interest bearing loans and borrowings	192	-	-	-
Provisions	4,970	-	-	-
Total liabilities comprising discontinued operations	<u>36,930</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets comprising discontinued operations	<u>88,364</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash flows from operating activities	570	-	-	-
Net cash flows (used in)/from investing activities	(235)	-	-	-
Net cash flows used in financing activities	(80)	-	-	-
Net increase in cash generated by discontinued operations	<u>255</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 35 Subsequent Events

On 23 July 2007, the company sold its controlled entity, Channel 9 South Australia Pty Limited for a cash consideration of \$105,000,000 (before working capital adjustment).

On 3 July 2007, the company announced that its directors have agreed to propose a Scheme of Arrangement whereby Macquarie Media Limited will acquire all of the shares in the company they do not currently own for \$17.41 per share, comprising \$17.05 cash and a special fully franked dividend of \$0.36. The proposed Scheme is subject to certain conditions precedent and approval by the company's shareholders at a Scheme Meeting expected to be held in October 2007.

On 21 August 2007, the directors submitted an application to the Court to consider the Scheme of Arrangement. Accordingly, the executives' Performance Rights became exercisable pursuant to the rules of the Executive Performance Rights Plan. If the Scheme is implemented, all performance rights may either be exercised or cancelled. The existing un-expensed portion of the fair value of performance rights for the period to 16 November 2010 is approximately \$3 million which will now be expensed when the options become exercisable.

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 consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

Note 36 Auditors' remuneration

The auditor of Southern Cross Broadcasting (Australia) Limited is Ernst & Young.

	Consolidated		Parent Company	
	2007 \$	2006 \$	2007 \$	2006 \$
Amounts received or due and receivable by Ernst & Young (Australia) for:				
Audit or review of the financial report of the entity and any other entity in the consolidated group	551,000	555,000	60,000	53,000
Other services in relation to the entity and any other entity in the consolidated group:				
o assurance related	-	141,000	-	141,000
Amounts received or due and receivable by non Ernst & Young audit firms for:				
o review of the financial report	15,000	105,000	-	-