Southern Cross
BROADCASTING

2007
ANNUAL REPORT

Annual Report 2007

Southern Cross BROADCASTING

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Introduction

Over the past eleven years, Southern Cross Broadcasting has evolved into one of Australia's leading media organisations, with a diverse network of television and radio operations across metropolitan and regional Australia, together with an integrated television production and distribution group.

The company's major business units are:

- ★ Regional television, covering most of regional Australia;
- ★ Metropolitan radio, covering Sydney, Melbourne, Brisbane and Perth;
- ★ Television production and distribution (Southern Star); and
- ★ Digital media (Southern Cross View)

Southern Cross BROADCASTING

Financial Performance Summary

Year ended 30 June	2007 ($'000)	2006 ($'000)	
Key Profit and Loss Data			
Continuing Operations:			
Sales revenue	**514,846**	461,676	**+ 11.5%**
Other revenue	**10,976**	12,469	**- 12.0%**
Earnings before interest, tax, depreciation & amortisation*	**116,552**	107,937	**+ 8.0%**
Depreciation & amortisation*	(15,833)	(16,131)	**- 1.8%**
Earnings before interest and tax*	**100,719**	91,806	**+ 9.7%**
Net interest expense*	(12,758)	(12,167)	**+ 4.8%**
Profit before tax*	**87,961**	79,639	**+ 10.4%**
Income tax*	(25,878)	(23,046)	**+ 12.3%**
Continuing net profit*	**62,083**	56,593	**+ 9.7%**
Significant items (after tax)	**(2,110)**	(2,560)	
Significant tax item	**(2,001)**	-	
Interest on Convertible Preference Shares	-	(4,583)	
Profit after tax from continuing operations	**57,972**	49,450	**+ 17.2%**
Discontinuing operations (profit after tax):	**2,563**	772	
Reported net profit	**60,535**	50,222	**+ 20.5%**
Profit attributable to minority interests	**(104)**	(119)	
Net profit attributable to members	**60,431**	50,103	**+ 20.6%**
Key Balance Sheet Data			
Shareholders' equity	643,660	618,917	
Property, plant & equipment	146,103	158,486	
Licences	489,587	573,992	
Working capital	43,992	29,091	
Total assets	1,076,019	1,051,233	
Net bank debt	173,558	177,138	
Key Cash Flow Data			
Cash flow from operations	70,591	65,938	
Capital expenditure	16,085	17,862	
Other Data			
Diluted earnings per share	82.8¢	77.5¢	
Dividend per share (total)	74.0¢	68.0¢	
Net tangible assets per share (including broadcasting licences)	$7.81	$7.58	
Interest cover (x)	8.0x	7.6x	
Book gearing	27.0%	28.6%	
Net bank debt : EBITDA*	1.5x	1.6x	
Number of shares at year end ('000)	72,413	71,308	
Weighted average shares (diluted) ('000)	72,988	70,593	
Number of employees	1,216	1,213	
Number of shareholders	6,708	7,535	

** Excludes significant items and interest on Convertible Preference Shares (CPS)*

NOTE: Percentages above and elsewhere in the annual report have been calculated on the actual numbers, not rounded figures.

Chairman's and Managing Director's Report

Dear Southern Cross Broadcasting shareholder,

This has been a year of many achievements for Southern Cross Broadcasting. We are pleased to report that Southern Cross Broadcasting achieved a record continuing net profit after tax (before significant items) of $62.1 million for the year ended 30 June 2007, a 9.7% increase over last year. Diluted earnings per share increased by 6.9% from 77.5 cents to 82.8 cents.

Directors have declared a final dividend of 37 cents per share, which brings the full year dividend to 74 cents, fully franked, an 8.8% increase over 2006. Over the last 15 years the company has either maintained or increased its dividend and the Board is pleased to have been in a position to continue this trend in 2007. The record date for the final dividend is 19 September 2007 and it is payable on 28 September 2007.

The last year has been dominated by an unprecedented level of corporate activity in the Australian media sector, arising primarily from the introduction of new media legislation. Amendments to legislation governing cross-media and foreign ownership of media assets in Australia were proposed in September 2006 and subsequently proclaimed in April this year. These changes allow media proprietors, subject to local content and voices restrictions, to own more than one form of media in an individual market and to allow foreigners to control those assets.

With the media industry environment evolving rapidly, your Board of Directors and management team have worked hard to position the company to take advantage of new opportunities in the market to maximise shareholder value.

During the year, the company took an important step forward in developing its online presence by successfully launching Mytalk and Youplay.com. Mytalk is Australia's first national news and current affairs talk back radio portal. Youplay.com is a casual gameplay portal that integrates community and social networking as part of its gameplay environment and was established as a joint venture with leading puzzle gameplay provider, Lovatts Publications. Each of these initiatives are important in helping ensure the company will benefit from the ongoing growth in online advertising and allows us new opportunities to connect with our audience in an online environment.

On 29 May 2007, the company announced it had reached an agreement to sell Channel Nine Adelaide to the WIN Group for cash consideration of $105 million. The transaction was completed on 23 July 2007 and provided the company with a unique opportunity to monetise an asset whose strategic and financial value was not being fully recognised in the company's share market price.

On 3 July 2007, the company announced that it had agreed to propose a Scheme of Arrangement whereby Macquarie Media Group ("MMG") would acquire the shares it does not already own in Southern Cross Broadcasting for a cash consideration of $17.41 per share. MMG acquired a 13.8% strategic stake in Southern Cross Broadcasting on 17 November 2006.

Following a review of the various financial and strategic opportunities available to maximise long term shareholder value, and having regard to the offer price proposed by MMG, your Directors have concluded that the Macquarie Media Group proposal is in the best interests of shareholders. Your Directors believe MMG's offer fully reflects the value of Southern Cross Broadcasting and our growth prospects, and we recommend, in the absence of a superior proposal, that you vote in favour of the Scheme at the forthcoming Scheme Meeting scheduled for 12 October 2007.

The company maintains a high level of community involvement, through community based activities, sponsorships and community service announcements, supporting a large number of local and national charities and community groups. We also remain committed to supporting our local communities through the provision of local news and current affairs in each market we serve.

We take this opportunity to thank all Southern Cross Broadcasting's employees for their contributions and considerable achievements during the year. In particular, the management team have continued their record of delivering excellent growth and profitability. On behalf of the Board, we want to extend our thanks to them.

John C Dahlsen
Chairman

Anthony E Bell
Managing Director

TELEVISION

Sales Revenue	Jun-07	Jun-06	
	$237.4m	$229.2m	3.6%
EBIT*	Jun-07	Jun-06	
	$64.8m	$62.4m	3.9%

Figures exclude discontinuing operations (Channel 9 Adelaide)
**** includes contribution from Associates and excludes significant items***

Southern Cross Broadcasting's television division services most of regional Australia, as summarised in the table below. The television division has affiliation arrangements with the Ten and Seven television networks (as well as sourcing certain Nine Network programming for Spencer Gulf). This provides the company with a degree of hedging against fluctuations in the ratings of one individual network.

Southern Cross Broadcasting's regional television markets are geographically divided into 30 sub-markets that consist of major population centres. These sub-markets receive a unique mix of local commercials, news and community information.

Southern Cross Ten

Southern Cross Broadcasting's Network Ten affiliated stations operate in Victoria, New South Wales, Queensland and the Spencer Gulf Region of South Australia and have a presence in every major regional centre in the eastern states. The potential reach of the combined stations is over 5.9 million people, or 28% of Australia's population.

Southern Cross Ten delivers a common program stream to consumers along the eastern seaboard and is able to customise and localise programming and advertising where appropriate.

Southern Cross Ten continued to rate well across all demographics and especially with younger viewers. Big winners with viewers this year included *Australian Idol*, *Big Brother, House, Thank God You're Here* and *The Biggest Loser.*

Channel Nine Adelaide

Effective after the end of the financial year, the company sold Channel Nine Adelaide to WIN Corporation for $105 million (before working capital adjustment). The company is pleased with the sale price and the station will benefit by being under the same ownership as WIN's other Nine Network affiliates.

Southern Cross Television

Southern Cross Broadcasting operates stations under the branding *Southern Cross Television* in Tasmania, Darwin, Central Australia and the Spencer Gulf Region of South Australia.

In Tasmania, Southern Cross Television remained the market leader during the year, dominating the ratings in all four-week survey periods. The station's mixture of programming from both the Seven and Ten Networks delivered constant hits throughout the year, including *Border Security*, *Dancing With The Stars, House* and AFL football. The station broadcasts the most watched news service in the State. Southern Cross Television is also the broadcaster of a number of successful local events, including the Hobart and Launceston Cups and the Targa Tasmania Rally.

Southern Cross Broadcasting also has a 50% interest in Tasmanian Digital Television, providing a digital only service to the Hobart, Launceston and Devonport markets. The service broadcasts programs from Network Ten and expanded its viewing audience during the year with the steady uptake of digital television in Tasmania.

Following the sale of Channel Nine Adelaide, which occurred after the end of the financial year, the Southern Cross Broadcasting Television Division comprises:

Station	Market	Affiliation	Population	Size of Television Advertising Market ($Millions)
Southern Cross Ten	Queensland Northern NSW Southern NSW Victoria	Ten	5,939,000	648
Southern Cross Television	Tasmania Darwin Central Australia Spencer Gulf S.A.*	Seven & Ten Seven & Ten Seven Seven, Nine & Ten	1,159,000	98

** Spencer Gulf is part of the regional South Australia market, which has total television advertising market revenue of $30 million.*

Southern Cross Television also broadcasts to South Australia's Spencer Gulf region. Based in Port Pirie, Southern Cross broadcasts to the large regional centres of Whyalla, Port Pirie and Port Augusta and the lower Eyre Peninsula covering Port Lincoln and surrounding areas. The operation also services Broken Hill. The company operates the two licences covering this region. The first service comprises predominantly Seven Network programs, with some limited Nine Network programs. This station provides a very successful nightly local news service covering the five markets in the region. The second service broadcasts programs from Network Ten.

Southern Cross Television also includes Southern Cross Television Darwin, which broadcasts programming from both the Seven and Ten Networks; and Southern Cross Television Central, which is a Seven Network affiliated satellite delivered service with coverage throughout the Northern Territory, rural Queensland and parts of New South Wales, Victoria, South Australia and Tasmania.

Digital Transmission

Southern Cross Broadcasting presently has digital services on-air in all of its 29 digital television markets through 119 digital transmission sites. Most of these sites are high power sites, which provide a digital signal to the majority of the population in these markets. A further 102 low power sites are yet to be commissioned, although the majority of capital expenditure required as part of the company's digital rollout has already been committed.

In all markets other than the Central satellite market, digital transmission provides a widescreen, standard definition (SDTV) version of the analogue program stream. In addition, all digital markets other than Spencer Gulf receive at least 1,040 hours per year of high definition (HDTV) versions of the SDTV programs.

Local News and Information

In addition to the popular local news services broadcast by Southern Cross Television in Tasmania and Spencer Gulf, Southern Cross Broadcasting now produces 528 unique news updates per week for broadcast in 19 markets. *State Focus,* the company's weekly current affairs program which is compiled in Canberra, also provides a unique half hour current affairs program for each of Southern Cross Ten Queensland, Northern NSW, Southern NSW and Victoria.

RADIO

Sales Revenue	Jun-07 $107.6m	Jun-06 $103.9m	3.6%
EBIT*	Jun-07 $23.1m	Jun-06 $18.3m	26.3%

**** Includes contribution from Associates and excludes significant items***

The **Southern Cross Talk Radio Network** has a commitment to producing the highest quality radio news service in Australia. The Talk Radio Network stations generate hourly news services every day, which are delivered by Southern Cross Syndication to 119 radio stations in every state and territory of Australia, making Southern Cross Network News the most widely heard commercial radio news service in the nation.

The high standards set by our radio division were recognised through various awards during the year. At the 2006 Commercial Radio Awards, our staff collected awards for best talk personality (Neil Mitchell, 3AW), best sports event coverage (3AW's football commentary team), best new talent off-air (Sean Sowerby, 3AW), best program director (Greg Cary, 4BC), best station sales achievement (the 4BC and 4BH sales team) and the Brian White Memorial Award for excellence in journalism (Clinton Maynard, 2UE). At the 2006 Australian Football Media Awards, Clinton Grybas was recognized as most outstanding radio caller, Robert Walls as most outstanding expert commentator and 3AW's pre-game show was recognised as most outstanding radio program. 3AW's Paul Bentley also won silver at the prestigious CLIO International Awards in New York.

The Talk Radio Network has a strong commitment to sport and continued to provide an informative and entertaining commentary of AFL football, along with an in-depth coverage of all sport through the *Sports Today* program, which is broadcast on each of the Talk Radio Network stations.

Sydney's **2UE** is an opinion leader in Australia's most important radio market and includes some of the nation's most influential and controversial personalities in its line-up. 2UE has continued to refine and improve its program offering, a process that will continue over the next year with the retirement of John Laws, who has enjoyed an incredibly successful career spanning 55 years, the last 19 broadcasting on 2UE.

3AW has been Melbourne's top rating radio station since 2003, due to its compelling mix of hard-hitting news and current affairs, light entertainment and sport.

Brisbane's **4BC** is the only commercial news/talk radio station in what is one of Australia's fastest growing markets. 4BC is also the only commercial radio station that broadcasts National Rugby League games in Brisbane.

Perth's **6PR** has maintained its position as the leading commercial News Talk Radio station in the market. The station presents an entertaining mix of news, current affairs, sport and information, along with its exclusive commercial radio coverage of AFL football in the west.

Music Stations

Southern Cross Broadcasting's music stations complement the Talk Radio Network, operating from joint facilities in Perth, Melbourne and Brisbane and providing packaged sales opportunities to our advertising clients.

Perth's **96fm** has consistently rated near the top of the lucrative 25-39 age demographic during the year, achieving revenue growth well above the market average.

Magic 1278 continues to fill a niche in the Melbourne radio market, with a music-based format aimed at an older demographic. The station has a loyal following and is complementary to its sister station, 3AW.

Brisbane's **4BH** broadcasts an easy listening format on the AM band. 4BH has consistently been the number one AM music station in Australia over the last year.

Southern Cross Syndication

Southern Cross Syndication distributes news and talk programming produced by the Southern Cross Talk Radio Network to radio stations throughout Australia. Southern Cross Network News, sourced from 2UE, 3AW, 4BC and 6PR, is now syndicated to 119 radio stations in every State and Territory; the John Laws Show reaches 71 of the 95 available radio markets; AFL is transmitted into 37 markets including the ACT; and various other short-form programs are widely distributed to Australian radio stations. In addition, Southern Cross Syndication operates Digital Courier, the leading radio dub distribution system in Australia. Digital Courier's Radio Monitoring service provides a method of tracking commercial airplay by the application of a watermark at the point of distribution. Radio Monitoring gives advertisers and agencies reliable and immediate access to the actual broadcast times of their commercials, enabling them to confirm that advertising is broadcast as scheduled.

The Southern Cross Broadcasting Radio Division comprises:

Station	Market	Format	Population	Size of Radio Advertising Market ($Millions)
2UE	Sydney	News/Talk	3,806,000	221
3AW Magic 1278	Melbourne Melbourne	News/Talk Music	3,533,000	174
4BC 4BH	Brisbane Brisbane	News/Talk Music	1,649,000	95
6PR 96FM	Perth Perth	News/Talk Music	1,337,000	71

Sales Revenue	Jun-07 $162.5m	Jun-06 $121.4m	33.9%
EBIT*	Jun-07 $16.1m	Jun-06 $12.2m	32.3%

*** Includes contribution from Associates and excludes significant items.***

Southern Star is the leading producer and distributor of television content in Australia. The group is involved in television and video production, sales and distribution, and licensing and merchandising. Southern Star has an established reputation for quality programming and operates through specialised divisions that are recognised market leaders in their fields.

During the year the business performed well. Southern Star Entertainment continued to benefit from its growing base in the United Kingdom, as well as a consistent performance from our local Endemol Southern Star (49%) joint venture. Southern Star International's result was helped by strong returns from the owned catalogue off-setting a general sales result that was constrained by the combined effect of a lower US$ (many international program sales being denominated in US$) and a higher A$.

Southern Star International, based in Australia and the United Kingdom, is responsible for the global sales of approximately 14,000 hours of television programming and feature films. Its catalogue is one of the top ten largest of English language programmes in the world (excluding the major US studios) and is acquired from both domestic and international producers. In addition to distributing programs made by Southern Star Entertainment, it also distributes other quality Australian productions including *Home & Away*, *Hi 5, All Saints* and *McLeod's Daughters* and international programming such as the UK hit drama, *Wire In The Blood*.

Southern Star Entertainment is Australia's leading independent creator and producer of a wide range of television programming, including adult prime-time drama, game shows, children's and family television programming, light entertainment, documentaries and infotainment. Further seasons of *Love My Way* and *Forensic Investigators* were completed during the year and the children's business continued to perform strongly with further series of *Bluewater High*, *Raggs* and *Bottletop Bill* contributing to the year.

Southern Star Entertainment's joint venture, **Endemol Southern Star (49%)**, produces light entertainment and infotainment programmes for the Australian and New Zealand markets and has exclusive access to the Endemol Entertainment Library of over 400 formats. Key programmes include *Big Brother,* which in its seventh season continued to perform strongly in key demographics for Network Ten. The joint venture also produced a fifth successful season of *Deal Or No Deal* for the Seven Network, a third series of daytime programme *Ready Steady Cook,* and a second season of *The Power Of One* for the Comedy Channel. The year also saw the successful introduction of *1 vs 100* for the Nine Network.

The UK based **Southern Star Entertainment UK,** part of the Southern Star Entertainment division, produces quality wildlife, science and history programming through its award winning Oxford Scientific Films and quality adult drama programs through Carnival. During the year the division achieved a top 10 revenue position in the UK independent production market.

Oxford Scientific Films completed production on the third series of its award-winning animal soap, *Meerkat Manor*, set in the Kalahari for Animal Planet International, the first series of *Lemur Wars* for Channel 5 in the UK, the production of *The Atom* for the BBC and a number of other programs for broadcasters including Discovery International.

Carnival completed production on the second series of *Hotel Babylon* for the BBC, three TV movies for the BBC (*Sea Of Souls, Lifeline and Empathy*) and commenced production on a new prime time drama for ITV, *Whistleblowers*.

Darrall Macqueen continued production of *Smile* for the BBC and started production of a new children's comedy series, *Bear Behaving Badly*, also for the BBC.

DIGITAL MEDIA

Southern Cross View

Southern Cross View was formed in November 2006 to bring together the digital assets of the Southern Cross Broadcasting businesses. Its initial focus has been to create **Mytalk.com.au**, a news and current affairs talkback radio portal which is also datacast to 28 of SCB's regional broadcast areas, creating a significant point of difference. The service has already attracted a significant audience, with more than 65,000 members and more than 350,000 unique users per month. Users can watch or listen live anywhere in the world to all of Southern Cross Broadcasting's radio stations or watch SCB's regional news bulletins.

Mytalk.com.au extends talkback radio by enabling users to have their say online through forums and blogs.

Southern Cross View has also entered into a joint venture with leading puzzle gameplay provider Lovatts Publications to provide a casual gameplay portal **Youplay.com**, which integrates community and social networking as part of its gameplay environment. It provides a place where users can create their own online persona or avatar, engage in tournaments with other members, and win daily cash prizes. The site officially launched in August 2007 and prior to launch had already attracted more than 65,000 members.

ASSOCIATED OPERATIONS

Southern Cross Sales

Southern Cross Sales acts as the national sales arm of Southern Cross Broadcasting, focusing on national advertisers by servicing media buying agencies, advertising agencies and direct national clients.

Southern Cross Sales continues to drive sales growth for the company through innovative marketing programs such as Market Share Plus and Market Share Platinum, which attract new advertisers to TV and radio.

The Business Development Unit provides sales support to the company's national and direct sales force by supplying strategic research material, managing network coordinated promotions and creating new revenue opportunities.

Satellite Music Australia (SMA)

SMA is a leading Australian supplier of subscription music. It provides multiple channels of music to Foxtel and Austar for their digital pay television services, as well as providing subscription music services to retailers and customised music channels including advertisements to larger retailers. SMA has enjoyed a successful year, increasing commercial subscribers and benefiting from the expansion of Foxtel's digital services.

Southern Cross Telecommunications

Southern Cross Telecommunications is a licensed telecommunications carrier. It generates revenue from the sale of capacity to other carriers and large institutions, whilst also providing a range of telecommunications services to all Southern Cross Broadcasting business units.

COMMUNITY INVOLVEMENT

Southern Cross Broadcasting is strongly committed to supporting the communities in which it operates. It does so by becoming involved in a range of community based activities, sponsorships, community service announcements and through the participation of our staff in community events.

Sponsorships

Events and organisations sponsored by the company during the year include the Cairns Show, Lifeline Bookfest, Mission Australia, Southport Surf Lifesaving Club, Queensland Regional Achiever & Community Awards, Byron Bay Writer's Festival, Camp Quality, Royal Canberra Show, Badger Wildlife Rescue, Grampian Business Awards, Broken Hill Outback Golf Open, Port Lincoln Cup, Tourism Top End, Darwin Turf Club, Australian Snapper Fishing Championships, Targa Tasmania and the Tasmanian Tourism Awards.

Throughout the year, we also gave our support to numerous other charities and fundraising organisations by donating advertising schedules, which were auctioned off to raise money.

Community Service Announcements

Through our television and radio businesses, Southern Cross Broadcasting donated millions of dollars in community service airtime to assist non-profit organisations. Organisations assisted include Amnesty International, Australian Red Cross, Beyond Blue, CARE Australia, Fred Hollows Foundation, Guide Dogs Australia, the Heart Foundation, Juvenile Diabetes Research Foundation, Rural Doctors Association of Australia, SIDS and Kids Foundation, St Vincent De Paul and Westmead Children's Hospital.

John C Dahlsen

Age 72, LLB, MBA (Melb). Director of the company since 1987. Appointed chairman of the company in 2002 and is also chairman of the Mergers and Acquisitions Committee and a member of the Remuneration Committee and the Nomination and Corporate Governance Committee. Director of The Warehouse Group Limited since 2001 and chairman of J C Dahlsen Pty Limited since 1982. Former director of Australia and New Zealand Banking Group Limited from 1985 to 2005.

Geoffrey D Allen

Age 65, BA (Hons), MBA. Director of the company since 2000 and is also Chairman of the Remuneration Committee and a member of the Nomination and Corporate Governance Committee. Founder and director of the Allen Consulting Group and Chairman of the Australasian Centre for Corporate Public Affairs. Chairman of the Australian Government's Trade Policy Council. Chairman of the Australian Statistics Advisory Council, and member of the Prime Minister's Community Business Partnership. He is Deputy Chairman of the Melbourne Business School, member of the Advisory Council of the Victorian College of the Arts, and is director of several private companies in the services sector.

Neil R Balnaves

Age 63. Director of the company since 2004 and a member of the Mergers and Acquisitions Committee and the Audit Committee. Over 40 years experience in the entertainment and media industries and previously held the position of Executive Chairman of Southern Star Group Limited from 1987 to 2005. Chairman of Endemol Southern Star since 2001. Chairman of Macquarie Leisure Management Limited since 2001 and Macquarie Leisure Operations Limited since 2001. Director of Bond University Limited since 2003, Technicolor Pty Limited since 2002 and other companies. Neil serves on the boards of numerous advisory and community organisations as well as administering the Balnaves Foundation, a philanthropic fund that supports medicine and the arts. Foundation Fellow of the Australian Institute of Company Directors.

Anthony E Bell

Age 53. Managing Director of the company since 1993. Over 30 years experience in the media industry. Director and former Chairman of Commercial Radio Australia. Chairman of Regional Broadcasters Australia and Director of Free TV Australia Limited and other companies.

Charles G Clark

Age 63, B Com, Dip. Ag. Econ., FAICD. Director of the company since 1983 and is also Chairman of the Audit Committee. Chairman of Aviva Australia Holdings Limited since 2001, The Myer Family Office Limited since 2001 and appointed Chairman of Brown Brothers Holdings in June 2007. Director of Select Harvests Limited since 1998, The Myer Foundation since 2001 and a number of private companies. Trustee of The William Buckland Foundation, and Chairman of Council, Melbourne Grammar School. Former Deputy Chairman of Legal Practice Board of Victoria and former Director of CGNU Australia Holdings Limited.

Marina Darling

Age 48, LLB, BA (Hons) (Melb). Director of the company since 1999 and is also chair of the Nomination and Corporate Governance Committee and a member of the Remuneration Committee. Managing Director of Caponero Group. Director of Argo Investments Limited since 1999. Director of Deacons from 2001 to 2004. Former senior executive of Potter Warburg & Co. and senior associate of Corrs Chambers Westgarth.

David R Kingston

Age 50, LLB, BCom (Melb). Director of the company since 2002. Investment banker for over 20 years. Formerly, a Managing Director of N M Rothschild & Sons (Australia) Limited for 10 years. Principal of K Capital Group, Chairman of Ocean Capital Limited since 2002. Former Director of Coopers Brewery Limited from 1997 to November 2006, Austereo Limited, Village Roadshow Property Management Limited, Challenger International Property Management Limited, Spencer Gulf Telecasters Limited, Southern Star Group Limited and Rothschild Australia Capital Investors Limited.

Colin J Smith

Age 57, ISMP (Harvard) MBA (RMIT). Director of the company since 2002 and is also a member of the Mergers and Acquisitions Committee and Audit Committee. In 2006 retired after 13 years as a Senior Partner with the international strategy consulting firm LEK Consulting. Now Deputy Chairman of LEK's Advisory Board and continues to be Principal Advisor for the firm's Asia-Pacific Sports, Media and Entertainment Practice. Director of Rowing Australia Ltd and Alcar Consulting Pty Ltd. Chairman of Global Television Pty Ltd and MCM Entertainment Pty Ltd. Member of the Australian Institute of Company Directors and Business Ambassador for South Australia. Former Chief Executive Officer of the Australia-wide radio network Wesgo Limited.

With the exception of Mr David R Kingston taking leave of absence between 16 February and 31 July 2007, all directors held their position as a Director throughout the entire financial year and up to the date of this report.

Company Secretary
Edward Chia

Age 55, B.Ec (Hons), CA. Secretary and Group Financial Controller of the company since 1993. Formerly a chartered accountant with Coopers & Lybrand and a senior financial executive with Elders Resources Limited.

Directors' Report

The directors of Southern Cross Broadcasting (Australia) Limited are pleased to submit the following report in respect of the financial year ended 30 June 2007 made out in accordance with a resolution of the directors.

Directors

The following persons were directors of Southern Cross Broadcasting (Australia) Limited at the date of this report:

J C Dahlsen (Chairman)	C G Clark
G D Allen	M Darling
N R Balnaves	D R Kingston
A E Bell (Managing Director)	C J Smith

The above named directors held office during and since the end of the financial year, except for Mr D R Kingston who was on leave of absence during the period 16 February 2007 to 31 July 2007.

Directors' interests

At the date of this report, the interests of the directors in the shares of the company were:

Director	Ordinary Shares
J C Dahlsen	882,506
G D Allen	27,102
N R Balnaves	2,590,086
A E Bell	104,232
C G Clark	17,572
M Darling	11,336
D R Kingston	15,150
C J Smith	700

In addition, Mr Clark has a direct interest in 6,000 ordinary shares each paid to 1 cent in the company and Mr Bell has a direct interest in 200,000 options granted under the Southern Cross Executive Option Plan and 379,000 options granted under the Southern Cross Executive Performance Plan.

Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the financial year and the attendances of directors at these meetings were:

	Directors	Audit	Remuneration	Nomination & Corporate Governance	Business Development	Media Laws Response	Mergers & Acquisitions
Number of meetings held:	**25**	**5**	**5**	**2**	**1**	**8**	**2**
Number of meetings attended:							
J C Dahlsen	25	-	5	2	1	8	2
G D Allen	24	-	5	2	-	-	-
N R Balnaves	22	3#	-	-	1	8	2
A E Bell	25	-	-	-	-	8	2
C G Clark	25	5	-	-	-	-	-
M Darling	24	-	5	2	-	-	-
D R Kingston	14*	2*	-	-	1*	-	-
C J Smith	23	5	-	-	1	8	2

** Mr Kingston attended 14 of the 16 Directors' meetings held during the time prior to his "leave of absence", the maximum of 2 of the Audit Committee meetings held prior to his resignation from this Committee on 16 November 2006 and the maximum of 1 Business Development Committee meeting held during the time prior to his leave of absence.*

 # Mr Balnaves attended the maximum of 3 of the Audit Committee meetings held since his appointment on 16 November 2006.

J C Dahlsen attended all Audit Committee meetings by invitation.

Throughout the year and up to the date of this report, the company has an Audit Committee, a Remuneration Committee and a Nomination and Corporate Governance Committee of the Board of Directors. Members acting on the committees of the board during the year were:

Audit	Remuneration	Nomination & Corporate Governance
C G Clark (c)	G D Allen (c)	M Darling (c)
N R Balnaves	M Darling	G D Allen
D R Kingston	J C Dahlsen	J C Dahlsen
C J Smith		

(c) designates the Chair of the Committee.

On 4 December 2006, the Media Laws Response Committee of the Board was established. From 4 December 2006 and up to 2 May 2007, the members acting on this committee were J C Dahlsen (Chair), C J Smith, N R Balnaves and A E Bell.

On 2 May 2007, the Business Development Committee of the Board was merged with the Media Laws Response Committee to form the Mergers and Acquisitions Committee. During the period 1 July 2006 to 2 May 2007, the members acting on the Business Development Committee were J C Dahlsen (Chair), C J Smith and N R Balnaves. D R Kingston was a member from 1 July 2006 to 16 February 2007. During the period 2 May 2007 to 30 June 2007, the members acting on the Mergers and Acquisitions Committee were J C Dahlsen (Chair), C J Smith, N R Balnaves and A E Bell.

Principal activities

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

Trading results

The consolidated profit of the consolidated entity for the financial year was $60,431,000 after income tax, significant items and outside equity interest.

Earnings per share

Basic earnings per share for the year ended 30 June 2007 was 83.78 cents and diluted earnings per share was 82.79 cents.

Dividends

The directors declared that a final dividend of 37 cents per ordinary share be paid out of profits for the year ended 30 June 2007. An interim dividend of 37 cents per ordinary share was declared during the year and paid on 31 March 2007, making a total dividend of 74 cents for the full year (total dividend in the previous year was 68 cents). Both the interim and the final dividend are fully franked.

The following fully franked dividends have been paid on ordinary shares since the preceding financial year:

	$'000
Final dividend for 2006 (disclosed in the 2006 Directors' report)	24,422
Interim dividend for 2007	26,793

Operating and financial review of operations

Specific factors contributing to the result of each business unit are described in this Annual Report in the sections titled Chairman's and Managing Director's Report (page 3) and Review of Operations (pages 4-8), which form an integral part of this report.

Significant changes in the state of affairs

Significant changes in the state of affairs of the consolidated entity that occurred during the year were:

- Redundancies of $1,034,000 associated mainly with the centralisation of financial and accounting functions to a shared services function; and
- Corporate transaction costs of $2,125,000 associated with mergers and acquisitions activity.

Significant events after the balance date

On 23 July 2007, the company sold its controlled entity, Channel 9 South Australia Pty. Limited for a total 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 Group 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.

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.

Likely developments and expected results

Subject to the results of the Scheme Meeting discussed above, the directors are confident that the existing commercial television and radio operations and television production and distribution operation will continue to provide sustainable profits with opportunities for steady growth. The directors have excluded from this report any further information on the likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years, as the directors believe that it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation performance

Except for radiation standards regulation, the consolidated entity's operations are not subject to any particular and significant environmental regulation under Federal or State law. The radiation standards performance obligations are subject to Government agency audits and site inspections from time to time. The consolidated entity has complied with its environmental performance obligations during the year.

Share options

During the financial year, the following options were granted under the Executive Performance Plan:

Date granted	Expiry date	Options granted	Exercise price
16 November 2006	16 November 2011	211,700	$Nil

At the date of this report, the following options to acquire an equivalent number of ordinary shares in the company under the Executive Option Plan and Executive Performance Plan are outstanding:

Date granted	Expiry date	Options on issue	Exercise price
1 November 2002	1 November 2009	200,000	$9.10
10 November 2004	10 November 2009	994,000	$12.35
10 November 2004	10 November 2009	189,400	$Nil
10 November 2005	10 November 2010	216,100	$Nil
16 November 2006	16 November 2011	211,700	$Nil

The options, granted by the company, do not entitle the holders to participate in any share issue of any other body corporate. There are no other options on issue over unissued shares of the company.

During the financial year, 490,000 and 66,667 ordinary shares were issued on the exercise of options at the exercise prices of $11.17 and $9.10 per share respectively. Since the end of the financial year, 40,000 and 16,400 performance rights at exercise prices of $12.35 and $0.00 respectively were cancelled upon resignation of an executive.

Remuneration Report
The remuneration arrangements in place for directors and executives are described in this Annual Report in the section titled Remuneration Report (pages 13-19), which form an integral part of this report.

Indemnification of directors and officers
The company's Constitution (Rule 30) permits the company to indemnify each officer of the company against any liabilities (to the extent permitted by law) incurred in or arising out of the conduct of the business of the company or a subsidiary of the company or the discharge of the duties of the officer. It is the company's policy to indemnify the officers against any claims or for any expenses or costs they incur in carrying out their role, to the extent permitted by law.

The company has entered into Deeds of Access, Insurance and Indemnity with each of the non-executive directors named earlier in this report and executive directors of controlled entities. Under the Deeds, the company has agreed to indemnify these directors against any claim or for any expenses or costs which may arise as a result of work performed in their capacity as directors, to the extent permitted by law. There is no monetary limit to the extent of this indemnity.

During the financial year the company has paid a premium for an insurance policy for the benefit of the directors of the company named earlier in this report and each full-time executive officer, director and secretary of controlled entities. The insurance policy prohibits the disclosure of the nature of the liability insured against and the amount of the premium.

Rounding of amounts
The parent company is a company of the kind specified in Australian Securities and Investment Commission Class Order 98/0100. In accordance with that class order, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

Auditor's Independence Declaration
The directors have received the auditor's independence declaration from Ernst & Young (page 64) and it is deemed to form a part of this Directors' Report.

Non-Audit Services
The directors have considered the position and, in accordance with the advice received from the audit committee, are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

The parent company's auditor, Ernst & Young did not receive any amounts for the provision of non-audit services during the financial year.

Corporate governance
The directors support and have adhered to the principles of corporate governance contained in the Corporate Governance Statement section of this annual report.

Dated at Melbourne this 29th day of August 2007

For and on behalf of the Board

John C Dahlsen
Director

Remuneration Report

This report outlines the remuneration arrangements in place for directors and executives of the company. This report also provides the audited disclosures required by Aus 25.4 to 25.7.2 of accounting standard AASB 124 "Related Party Disclosures" as permitted by Corporations Regulation 2M.6.04.

Disclosure of principles of remuneration (as audited)

Remuneration philosophy

The performance of the company depends upon the quality of its executives. To prosper, the company must attract, motivate and retain highly skilled executives. To this end, the company embodies the following principles in its executive remuneration framework:

- provide competitive rewards to attract high calibre executives;
- link executive rewards to the creation of shareholder value;
- ensure a significant portion of executive remuneration is 'at risk', dependent upon meeting pre-determined performance benchmarks; and
- establish appropriate, demanding performance hurdles in relation to variable remuneration.

Remuneration committee

The company's Remuneration Committee is responsible for recommending to the Board for approval the compensation arrangements for directors and executives. The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and nominated senior executives on a periodic basis by reference to relevant employment market conditions with the overall objective of maximising shareholder benefit from the retention of a high quality Board and management team.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

The Board seeks to set aggregate remuneration for non-executive directors at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Constitution and the ASX Listing Rules specify that the maximum aggregate remuneration of non-executive directors shall be determined from time to time by shareholders in a general meeting. An amount not exceeding the maximum aggregate remuneration is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 10 November 2004, when shareholders approved a maximum aggregate remuneration of $750,000 per year.

The maximum aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee of $70,000 for being a director of the company. The chairman receives a base fee of $175,000. An additional fee is also paid to each director (other than the Chairman of the Board) who chairs or is the member of a Board committee. The payment of additional fees for serving on a committee recognises the additional time commitment and responsibility required by directors who serve on committees. The following fees are payable to members of each committee:

Committee	Member	Chair
Audit	$10,000	$15,000
Mergers and Acquisitions*	$4,000	$7,500
Nomination & Corporate Governance	$4,000	$7,500
Remuneration	$4,000	$7,500
Business Development*	$4,000	$7,500
Media Laws Response*	$4,000	$7,500

* The Business Development Committee and the Media Laws Response Committee (which was itself established on 4 December 2006) merged to form the Mergers and Acquisitions Committee on 2 May 2007.

Non-executive directors appointed before 6 October 2004 are entitled to a directors' retirement benefit calculated as a multiple of:

- 3 times the average remuneration over the last 3 years, in the case of a director who has served for 5 years;
- 4 times the average remuneration over the last 3 years, in the case of a director who has served for over 10 years; and
- for service between 5 and 10 years, a multiple increasing pro-rata from 3 to 4 times the director's average remuneration over the last 3 years.

On 6 October 2004, the Board resolved that retirement benefits would not extend to non-executive directors appointed after that date, without affecting the entitlements of existing non-executive directors appointed prior to that date. On 21 November 2006, the Board resolved that each person appointed as a non-executive director of the company prior to 6 October 2004 who has completed not less than 3 years but not more than 5 years service will be entitled to a retirement benefit calculated on the basis of a pro-rata payment of the benefit that would be payable had the director served for a 5 year term. That is, the payment is calculated as 3 times the average remuneration of the director over the last 3 years, but reduced pro-rata to reflect the proportion of the director's term in office relative to the normal 5 year qualifying term for the retirement benefit.

Each of the current non-executive directors (other than N R Balnaves) will have an entitlement to the directors' retirement benefit, subject to achieving the required level of service. The Board is cognisant of a possible concern by shareholders that directors' retirement benefit schemes might impede the independence of directors who are close to retirement. The company does not believe that the existence of the directors' retirement benefit will impact the behaviour of its directors in any way. The current non-executive directors (other than Mr Balnaves) joined the Board on the understanding that they would receive the directors' retirement benefit and they have a contractual entitlement to receive it.

The company has provision accumulated each financial year in accordance with Australian Accounting Standards to meet the company's liability to pay the directors' retirement benefit. The cumulative amount provided relates to:

	30 June 2007
	$
John C Dahlsen	700,000
Geoffrey D Allen	272,550
Charles G Clark	326,667
Marina Darling	290,983
David R Kingston	201,545
Colin J Smith	230,143
TOTAL	**$2,021,888**

The amount provided in respect of each director's retirement only becomes payable upon retirement of the director.

A consulting fee of $2,500 per day is also payable to non-executive directors other than the Chairman who undertake special work approved by the Board on behalf of the company. This fee will be payable to directors who have undertaken additional work associated with the proposed Scheme of Arrangement with Macquarie Media Group.

The remuneration of directors for the year ended 30 June 2007 is detailed in Table 1 on page 17 of this report.

Executive remuneration

The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- reward executives for company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the company; and
- ensure total remuneration is competitive by market standards.

In determining the level and make-up of executive remuneration, the Remuneration Committee consults external consultants from time to time to obtain independent advice.

Executive remuneration consists of the following key elements:

- Fixed Remuneration; and
- Variable Remuneration:
  > Short Term Incentive (**STI**); and
  > Long Term Incentive (**LTI**).

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established for each senior executive by the Board, on the recommendation of the Remuneration Committee and takes into account the executive's responsibilities, performance and experience.

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually and the process consists of a review of company, business unit and individual performance, relevant comparative remuneration in the market and, where appropriate, external advice on policies and practices.

Executives are given the opportunity to receive their fixed remuneration in a variety of forms, including cash and fringe benefits such as motor vehicles and agreed expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

Fixed remuneration also includes a superannuation component. Superannuation is provided by means of payment of the superannuation guarantee levy amount to the executive's choice of superannuation fund. Certain executives are members of the Southern Cross Superannuation Fund (a defined benefit fund) to which the company contributes at rates determined by actuarial review. The Southern Cross Superannuation Fund is no longer open to new members.

Variable Remuneration — Short Term Incentive (STI)

The objective of the STI program is to link the achievement of the company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the company is reasonable in the circumstances. The level at which particular executives are eligible for STI payments is determined by the Board on the recommendation of the Remuneration Committee from time to time. For senior executives, the maximum STI is 35% of total salary, including relevant allowances.

Actual STI payments granted to each executive depend on the extent to which specific operating targets set at the beginning of the financial year are met. The operational targets consist of a number of Key Performance Indicators (KPIs), covering both financial and non-financial measures of performance. Typically included are measures such as contribution to net profit after tax, risk management and leadership/team contribution, which ensure that STI payments are directly linked to organisational performance goals. The company has predetermined benchmarks which must be met in order to trigger STI payments.

On an annual basis, after consideration of performance against KPIs, an overall performance rating for the company and each individual business unit is approved by the Remuneration Committee. The individual performance of each executive is also rated and all three ratings are taken into account when determining the amount, if any, of STI allocated to each executive. STI payments made are usually delivered as a cash bonus.

Variable Remuneration — Long Term Incentive (LTI)

The objective of the LTI plan is to:

- provide incentives to executives to focus on superior performance that creates shareholder value;
- link the reward of executive staff with the achievement of the long term performance of the company;
- enable the company to recruit and retain the talented people needed to achieve the company's business objectives; and
- align the financial interests of executives with those of shareholders.

LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the company's performance against the relevant long term performance hurdle.

Executive Performance Plan

LTI grants to executives are delivered in the form of rights to acquire shares in the company granted under the company's Executive Performance Plan. The Executive Performance Plan was introduced following the approval of shareholders at the company's 2004 Annual General Meeting and supersedes all previous LTI plans. Rights granted under the Executive Performance Plan may be in the form of traditional options with a market based exercise price and/or Performance Rights (structured as zero exercise price options or "**zepos**"), depending on the company's objectives in making the grant and the position in the company held by the relevant person. Together, the market priced options and zepos are referred to below as "**Rights**".

The company uses relative Total Shareholder Return (**TSR**) as the performance hurdle for the Executive Performance Plan. TSR is a measure of share price appreciation plus the value of reinvested dividends. The use of a relative TSR based hurdle is currently market best practice as it achieves an alignment between comparative shareholder return and reward for executives. In light of the diversity (both geographically and functionally) of the company's businesses relative to most other media companies, the Board considers that the performance of companies comprising the S&P/ASX200 Industrials Accumulation Index is the most appropriate basis for comparing the company's TSR performance.

In assessing whether the performance hurdles for each grant of Rights have been met, the company receives an independent calculation of both the company's TSR from the grant date and that of each company in the S&P/ASX200 Industrials Accumulation Index. The TSR of the company from the grant date to the relevant performance measurement date is compared with the TSR of each company in the S&P/ASX200 Industrials Accumulation Index listed in descending order, from the highest to the lowest, and ranked accordingly in percentiles. The number of Rights that becomes exercisable depends on the TSR percentile ranking of the company, as set out below.

Company's ranking against companies in S&P/ASX 200 Industrials Accumulation Index	**Percentage of Rights in a Tranche exercisable**
Below 51st percentile	Nil
51st percentile	52% of Rights exercisable
75th percentile and above	100% of Rights exercisable
Greater than 51st percentile and less than 75th percentile	Calculated on a pro rata basis between 52% and 100% depending on the company's percentile performance ranking, on the basis that for each whole percentile point above the 51st percentile a further 2% of each of the Rights becomes exercisable.

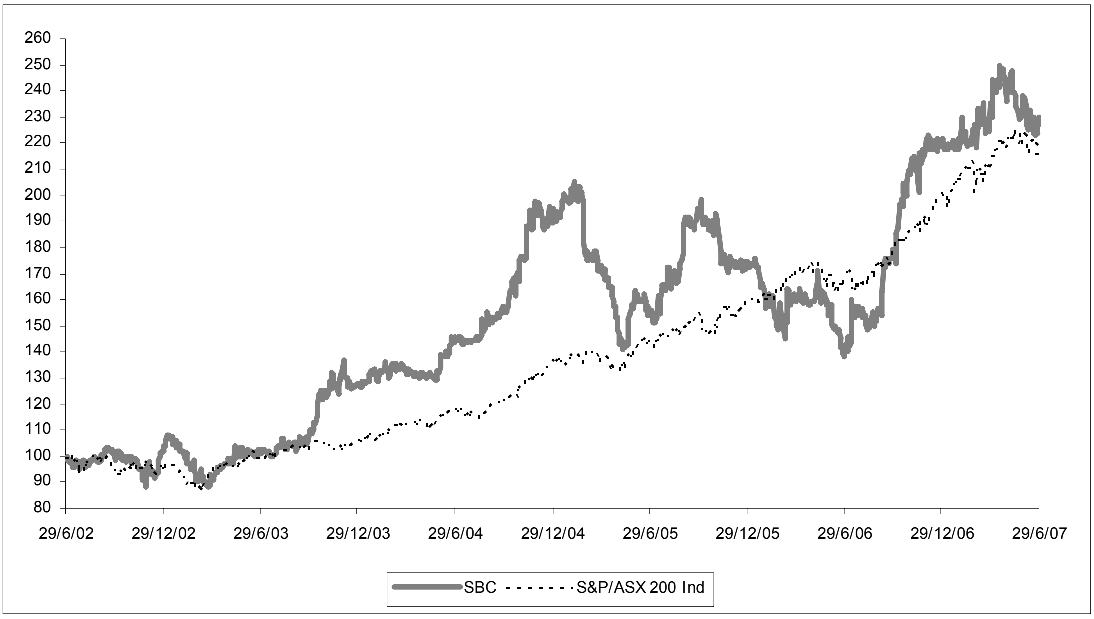
Rights are granted in two equal tranches – for the first tranche, the performance measurement date is the third anniversary of grant and for the second tranche, the fourth anniversary of grant. For grants of Rights made during 2004 and 2005, retesting against the performance hurdle is permitted every three months after the relevant performance measurement date until expiry of the Rights. However, grants of Rights made during 2006 only permit retesting (and any future Rights that may be granted will only permit retesting) after three years and six months and then after four years from the date of grant (for the first tranche of Rights) and then after four years and six months from the date of grant (for the first and second tranche of Rights). Accordingly, a maximum of only four retests will be available for options granted in any year.

Unexercised Rights lapse following the fifth anniversary of grant. Acceleration of vesting can occur in limited circumstances, such as retirement, redundancy, sale of a business, change of control of the company or prior to an application to the court for a scheme of arrangement. All Rights on issue became exercisable after the end of the financial year following the company making application to the Supreme Court of Victoria for the holding of a meeting of shareholders to approve the proposed scheme of arrangement with Macquarie Media Group. Rights issued to an executive that are unvested are cancelled on termination of the executive for cause by the company, but Rights which have vested may be exercised by an executive for a period of up to 6 months following resignation.

Company performance

The graph below shows the performance of the company (as measured by the company's TSR) and the comparison of the company's TSR to the TSR of the S&P/ ASX 200 Industrial Accumulations Index.

TSR Performance against S&P / ASX200 Industrial Accumulations Index



Specific Disclosures (as audited)

This report covers the key management personnel of the company and the Group. This includes the directors of the parent company and the five highest paid executives of the parent company and the group.

Employment contracts

Remuneration and other employment terms for the Managing Director and other senior executives are formalised in contracts of employment. Unless otherwise specified below, the terms of employment of named executives are as follows:

- Term of agreement – unspecified.
- The executive is entitled to resign his or her employment on three months' notice.
- The company is entitled to terminate the executive's employment on 12 months' notice (or by payment in lieu of notice), or immediately for misconduct.

Anthony E Bell – Managing Director

- Term of agreement - 1 July 2004 to 30 June 2009. The parties may agree to extend the term for a further period of two years.
- Mr Bell may resign from his position on six months' notice. In addition, if certain events constituting a fundamental change to Mr Bell's employment occur (such as a change to title or nature of position), Mr Bell is entitled to terminate the agreement and be paid 18 months' notice (based on the fixed component of his remuneration and other fixed benefits).
- The company may terminate Mr Bell's contract for cause by providing 18 months' written notice or provide payment in lieu of the notice period (based on the fixed component of his remuneration plus other fixed benefits). The company may terminate Mr Bell's contract at any time without notice for serious misconduct.
- If Mr Bell's employment is terminated at the end of the term (other than for serious misconduct), Mr Bell is entitled to a payment equal to 18 months' fixed remuneration and other fixed benefits.

Hugh Marks – Chief Executive Officer, Southern Star Group

- Term of agreement – 5 September 2005 to 4 September 2008.
- The company may terminate Mr Marks' contract at any time without notice for serious misconduct or other serious breaches of contract, or due to continued absence due to illness. Mr Marks may terminate the contract immediately for serious breaches of contract by the company.
- Termination by the company other than for serious misconduct, serious breaches of contract or absence due to illness would require the balance of Mr Marks' contract to be paid out.

Cathy Payne – Chief Executive, Southern Star International

- Term of agreement – 1 July 2006 to the later of 30 June 2009 and the expiry of 12 months' notice.
- Ms Payne is entitled to a fixed bonus of $150,000 if she remains in the company's employment until 30 June 2009.
- The company may terminate Ms Payne's contract at any time without notice for serious misconduct or other serious breaches of contract, or due to continued absence due to illness. Ms Payne may terminate the contract immediately for serious breaches of contract by the company. Either party may terminate the agreement on 12 months' notice expiring on or after 30 June 2009. In lieu of notice, the company can elect to pay Ms Payne an amount equal to 12 months' fixed remuneration plus her fixed bonus of $150,000.

Table 1 – Director Remuneration for the year ended 30 June 2007

	Short Term Benefits			Post Employment	Share Based Payments - Options	Total	%	%	%
Specified Directors	**Salary & Fees $**	**Short Term Incentive # $**	**Non-Monetary Benefits $**	**Superannuation $**	**Long Term incentive ^ $**	**$**	**Options as % of total remuneration**	**Fixed remuneration**	**Variable remuneration**
John C Dahlsen									
2007	**159,248**	**-**	**-**	**15,752**	**-**	**175,000**	**0.00%**	**100.00%**	**0.00%**
2006	159,248	-	-	15,752	-	175,000	0.00%	100.00%	0.00%
Geoffrey D Allen									
2007	**74,333**	**-**	**-**	**7,167**	**-**	**81,500**	**0.00%**	**100.00%**	**0.00%**
2006	74,333	-	-	7,167	-	81,500	0.00%	100.00%	0.00%
Neil R Balnaves[1]									
2007	**90,661**	**-**	**-**	**-**	**-**	**90,661**	**0.00%**	**100.00%**	**0.00%**
2006	400,669	-	-	40,436	-	441,105	0.00%	100.00%	0.00%
Anthony E Bell									
2007	**839,909**	**308,677**	**127,055**	**141,981**	**478,048**	**1,895,670**	**25.22%**	58.50%	41.50%
2006	789,701	222,725	121,900	118,105	376,846	1,629,277	23.13%	63.20%	36.80%
Charles G Clark									
2007	**77,573**	**-**	**-**	**7,427**	**-**	**85,000**	**0.00%**	**100.00%**	**0.00%**
2006	77,573	-	-	7,427	-	85,000	0.00%	100.00%	0.00%
Marina Darling									
2007	**74,333**	**-**	**-**	**7,167**	**-**	**81,500**	**0.00%**	**100.00%**	**0.00%**
2006	74,333	-	-	7,167	-	81,500	0.00%	100.00%	0.00%
David R Kingston[2]									
2007	**434,256**	**-**	**-**	**-**	**-**	**434,256**	**0.00%**	**100.00%**	**0.00%**
2006	83,667	-	-	-	-	83,667	0.00%	100.00%	0.00%
Colin J Smith									
2007	**87,000**	**-**	**-**	**-**	**-**	**87,000**	**0.00%**	**100.00%**	**0.00%**
2006	83,667	-	-	-	-	83,667	0.00%	100.00%	0.00%

Total Remuneration: Specified Directors

2007	**1,837,313**	**308,677**	**127,055**	**179,494**	**478,048**	**2,930,587**
2006	1,743,191	222,725	121,900	196,054	376,846	2,660,716

\# The Short Term Incentive is paid as a cash bonus.

^ The actual value of the LTI realised depends on whether Rights granted actually vest and the share price of the company on the vesting and exercise dates.

[1] The 2006 remuneration of N R Balnaves includes $385,605 of fixed remuneration as Executive Chairman of Southern Star until 30 September 2005 and fees as a consultant to the company.

[2] The 2007 remuneration of D R Kingston includes $400,000 of consultancy fees or specialist services provided to complement existing external advisory arrangements on media law reform.

Table 2 – Remuneration of Executives

	Short term benefits			Post Employment	Share Based Payments - Options	Total	%	%	%
Executive	Salary & Fees $	Short Term Incentive # $	Non-Monetary benefits $	Superannuation $	Long Term incentive ^ $	$	Options as % of total remuneration	Fixed remuneration	Variable remuneration
Bruce Abraham									
2007	**287,109**	**50,273**	**59,004**	**48,013**	**113,177**	**557,576**	**20.30%**	**70.69%**	29.31%
2006	278,191	40,506	52,310	41,120	88,686	500,813	17.71%	74.20%	25.80%
Stuart Boxer									
2007	**405,540**	**69,481**	**1,581**	**65,621**	**113,177**	**655,400**	**17.27%**	**72.13%**	27.87%
2006	393,120	46,126	2,647	56,160	88,686	586,739	15.12%	77.02%	22.98%
Eddie Chia									
2007	**313,452**	**45,007**	**39,003**	**55,203**	**82,310**	**534,975**	**15.39%**	**76.20%**	23.80%
2006	303,796	-	55,040	47,654	64,499	470,989	13.69%	86.31%	13.69%
Hugh Marks									
2007	**557,615**	**210,000**	**6,051**	**42,385**	**113,177**	**929,228**	**12.18%**	**65.22%**	34.78%
2006	523,851	199,500	-	40,560	88,686	852,597	10.40%	66.20%	33.80%
Graham Mott									
2007	**271,412**	**42,578**	**78,369**	**48,255**	**113,177**	**553,791**	**20.44%**	**71.87%**	28.13%
2006	262,512	33,212	70,434	41,297	88,686	496,141	17.88%	75.43%	24.57%
Cathy Payne +									
2007	**399,813**	**273,750**	**4,215**	**12,687**	**113,177**	**803,642**	**14.08%**	**51.85%**	48.15%
2006	373,736	115,500	-	12,139	88,686	590,061	15.03%	65.40%	34.60%

Total Remuneration: Executives

2007	**2,234,941**	**691,089**	**188,223**	**272,164**	**648,195**	**4,034,612**
2006	2,135,205	434,844	180,431	238,931	507,929	3,497,340

\# The Short Term Incentive is paid as a cash bonus.
^ The actual value of the LTI realised depends on whether Rights granted actually vest and the share price of the company on the vesting and exercise dates.
\+ The 2007 short term incentive of Cathy Payne includes $150,000 fixed bonus for remaining in Southern Star's employment until 30 June 2006 under her previous employment agreement.

Table 3 – Rights granted as part of remuneration for the year ended 30 June 2007

Rights issued during the year (comprising zero exercise price options or "zepos") as equity compensation to key management personnel under the Executive Performance Plan are set out in the table below.

	Grant Date	Zepos Issued	Value per option at grant date	Value of options granted during the year
Anthony E Bell	16-Nov-06	25,000	7.30	182,500
	16-Nov-06	25,000	6.90	172,500
Bruce Abraham	16-Nov-06	6,050	7.30	44,165
	16-Nov-06	6,050	6.90	41,745
Stuart Boxer	16-Nov-06	6,050	7.30	44,165
	16-Nov-06	6,050	6.90	41,745
Eddie Chia	16-Nov-06	4,400	7.30	32,120
	16-Nov-06	4,400	6.90	30,360
Hugh Marks	16-Nov-06	6,050	7.30	44,165
	16-Nov-06	6,050	6.90	41,745
Graham Mott	16-Nov-06	6,050	7.30	44,165
	16-Nov-06	6,050	6.90	41,745
Cathy Payne	16-Nov-06	6,050	7.30	44,165
	16-Nov-06	6,050	6.90	41,745

The values per zepo granted are $7.30 in respect of 50% of the number issued (Tranche 1) and $6.90 in respect of the other 50% (Tranche 2).
As at 30 June 2007, none of the zepos issued during the year had vested.

	Parameters used for the first 2 ½ years	Parameters used after the first 2 ½ years
Option Parameters		
Volatility	23.06%[1]	23.06%[1]
	23.06%[2]	23.06%[2]
Dividend Yield	5.02%[1]	5.02%[1]
	5.02%[2]	5.02%[2]
Risk Free Rate	6.19%[1]	6.19%[1]
	6.18%[2]	6.18%[2]
Performance Condition Parameters		
Hurdle Volatility[3]	7.82%[1]	0.65%[1]
	7.82%[2]	0.65%[2]
Hurdle Correlation	72.66%[1]	72.66%[1]
	72.66%[2]	72.66%[2]
Hurdle Spread (Stdev)	2.34%[1]	2.34%[1]
	2.34%[2]	2.34%[2]
TSR (Southern Cross) Parameters		
TSR Volatility [3]	23.06%[1]	2.18%[1]
	23.06%[2]	2.18%[2]

1. This represents the first exercise date and the risk free rate corresponding to Tranche 1.
2. This represents the first exercise date and the risk free rate corresponding to Tranche 2.
3. The volatility used after 2½ years is significantly lower because they are based on average returns over 6 months.

Table 4 – Rights exercised and shares issued during the year ended 30 June 2007

	Options exercised during the year	Exercise price per option	Total value of options exercised during the year #
	Number	$	$
Anthony E Bell	200,000	11.17	2,234,000
Anthony E Bell	66,667	9.10	606,670
Bruce Abraham	30,000	11.17	335,100
Eddie Chia	80,000	11.17	893,600
Graham Mott	60,000	11.17	670,200

This represents the total cost paid by key management personnel to exercise the options during the year.

Table 5 – Short Term Incentive payments to key management personnel

	Actual STI paid % of fixed remuneration #	Forfeited STI % of fixed remuneration #
Anthony E Bell	28.70%	6.30%
Bruce Abraham	17.80%	2.20%
Stuart Boxer	18.00%	2.00%
Hugh Marks	35.00%	0.00%
Graham Mott	15.00%	5.00%
Cathy Payne	30.00%	0.00%
Eddie Chia	13.90%	6.10%

The percentages are based on fixed remuneration that excludes, where applicable, certain non-monetary benefits and superannuation.

Income Statement for the year ended 30 June 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Company 2007 $'000	Parent Company 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 2007 $'000	Consolidated 2006 $'000	Parent Company 2007 $'000	Parent Company 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
		194,494	189,240	2,421	4,416
Assets of disposal group and non-current assets classified as held for sale	34	125,294	-	-	-
Total current assets		319,788	189,240	2,421	4,416
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		756,231	861,993	862,524	810,819
Total assets		1,076,019	1,051,233	864,945	815,235
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	-	-
		149,350	144,671	253,701	226,460
Liabilities directly associated with disposal group and non current assets classified as held for sale	34	36,930	-	-	-
Total current liabilities		186,280	144,671	253,701	226,460
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		246,079	287,645	3,098	4,845
Total liabilities		432,359	432,316	256,799	231,305
Net assets		643,660	618,917	608,146	583,930
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		643,091	618,441	608,146	583,930
Total minority interests		569	476	-	-
Total equity		643,660	618,917	608,146	583,930

Statement of Recognised Income & Expense as at 30 June 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Company 2007 $'000	Parent Company 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	3	**(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 2007 $'000	Consolidated 2006 $'000	Parent Company 2007 $'000	Parent Company 2006 $'000
Cash flows from operating activities					
Receipts from customers		**642,683**	620,919	**13,856**	15,452
Payments to suppliers and employees		**(546,192)**	(523,458)	**(13,032)**	(12,899)
Dividends received		**5,854**	5,490	**58,500**	37,500
Interest received		**1,327**	1,454	**4,461**	3,729
Borrowing costs paid		**(13,700)**	(13,641)	**(92)**	(162)
Income tax paid		**(19,381)**	(24,826)	**565**	(1,575)
Net cash flows from operating activities	30	**70,591**	65,938	**64,258**	42,045
Cash flows from investing activities					
Payments for property, plant and equipment		**(16,085)**	(17,862)	**(261)**	(2,391)
Purchase of controlled entities, net of cash acquired	31	**-**	(11,260)	**-**	-
Proceeds from sale of property, plant and equipment		**4,560**	586	**-**	85
Proceeds from sale of investments		**-**	2,962	**-**	-
Payments for investments		**(8,185)**	(5,698)	**(823)**	(594)
Loans advanced		**(3,164)**	(570)	**(420)**	(570)
Loan repayments received from associated company		**1,373**	1,315	**50**	-
Payments for deferred purchase settlements of controlled entities		**(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					
Proceeds from issues of shares		**6,071**	5,330	**6,071**	5,330
Repayment of finance lease principal		**(552)**	(759)	**(110)**	(169)
Share issue costs paid		**(29)**	-	**(29)**	-
Dividends paid		**(44,197)**	(32,118)	**(44,197)**	(32,118)
Proceeds from borrowings		**26,000**	36,000	**-**	-
Repayment of borrowings		**(33,000)**	(55,500)	**-**	-
Amounts advanced to controlled entities		**-**	-	**(23,341)**	(11,618)
Net cash flows used in financing activities		**(45,707)**	(47,047)	**(61,606)**	(38,575)
Net increase/(decrease) in cash and cash equivalents		**(2,455)**	(11,636)	**-**	-
Net foreign exchange difference		**(965)**	239	**-**	-
Add cash and cash equivalents at beginning of the period		**28,862**	40,259	**7**	7
Cash and cash equivalents at end of period	30	**25,442**	28,862	**7**	7

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.

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' *Result of issuance of AASB 7*	Effective for annual reporting periods beginning on or after 1 January 2007
o AASB 2007-3 'Amendments to Australian Accounting Standards' *Result of issuance of AASB 8*	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' *Result of issuance of AASB 123*	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.

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.

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.

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 unrecoupable 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.

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 is 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:

- 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
- 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.

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:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- 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 for the introduction of regional digital television broadcasting 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.

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.

Note 2 Revenue and expenses

(a) Revenue

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Company 2007 $'000	Parent Company 2006 $'000
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
		1,327	1,454	4,461	3,729
Other operating revenue					
Dividend income from controlled entities		-	-	58,500	37,500
Other		10,976	12,469	14,164	14,235
		10,976	12,469	72,664	51,735
		527,149	475,599	77,125	55,464
Revenue from discontinued operations					
Sales revenue	27, 34	72,847	82,219	-	-
Other revenue		2,008	1,915	-	-
		74,855	84,134	-	-
		602,004	559,733	77,125	55,464

(b) Profit for the year

	Consolidated Continuing 2007 $'000	Continuing 2006 $'000	Discontinued 2007 $'000	Discontinued 2006 $'000	Total 2007 $'000	Total 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
	3,095	919	177	6	3,272	925
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
	14,085	18,204	19	20	14,104	18,224
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)
	(3,014)	(3,657)	(145)	(39)	(3,159)	(3,696)

(b) Profit for the year (continued)	Parent Company Continuing 2007 $'000	Continuing 2006 $'000	Discontinued 2007 $'000	Discontinued 2006 $'000	Total 2007 $'000	Total 2006 $'000
Other income						
Profits on sale of property, plant & equipment	-	15	-	-	-	15
	-	15	-	-	-	15
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
	92	4,745	-	-	92	4,745
Significant items						
Redundancies and rationalisation	-	(115)	-	-	-	(115)
Corporate transaction costs	(1,585)	-	-	-	(1,585)	-
	(1,585)	(115)	-	-	(1,585)	(115)

	Consolidated		Parent Company	
	2007	2006	2007	2006
Note 3 Income tax	$'000	$'000	$'000	$'000
(a) Income tax expense				
Current income tax				
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
Deferred income tax				
Relating to origination and reversal of temporary differences	(4,911)	(2,736)	859	422
	28,146	22,078	1,895	1,342
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	-	-
	28,146	22,078	1,895	1,342
(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	88,681	72,300	61,182	35,351
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
	25,513	21,984	1,122	1,253
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	-
	28,146	22,078	1,895	1,342
(c) Income tax recognised directly in equity				
Deferred income tax relating to items charged or credited directly to equity				
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	(1,126)	161	(416)	280
(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	-	-
	28,395	35,825	504	565
Deferred tax liabilities attributable to:				
Continuing operations	28,395	35,825	504	565
Discontinued operations (note 34)	-	-	-	-
	28,395	35,825	504	565

Note 3 Income tax (continued)	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Company 2007 $'000	Parent Company 2006 $'000
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	-
	16,159	19,804	2,243	3,581
Deferred tax assets attributable to:				
Continuing operations	16,159	19,804	2,243	3,581
Discontinued operations (note 34)	-	-	-	-
	16,159	19,804	2,243	3,581
Current tax assets attributable to the recognition of the profit on sale of discontinued operations for tax purposes before recognition for accounting purposes	5,033	-	-	-
	5,033	-	-	-
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	-	-
	(8,130)	(4,340)	(61)	(64)

Note 3 Income tax (continued)	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Company 2007 $'000	Parent Company 2006 $'000
(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)	-
	3,219	1,604	920	486
Deferred tax (income)/ expense	(4,911)	(2,736)	859	422
(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	-	-
	4,927	6,168	-	-

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

Note 4 Earnings per share	Consolidated 2007 cents	Consolidated 2006 cents
Basic earnings per share		
From continuing operations	80.23	76.11
From discontinued operations	3.55	1.19
	83.78	77.30
Diluted earnings per share		
From continuing operations	79.28	76.38
From discontinued operations	3.51	1.09
	82.79	77.47

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

Note 4 Earnings per share (continued)	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Company 2007 $'000	Parent Company 2006 $'000
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	60,431	50,103		
Adjustments to exclude profit for the period from discontinued operations	(2,563)	(772)		
Earnings used in calculating basic earnings per share from continuing operations	57,868	49,331		
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	60,431	54,686		
Adjustments to exclude profit for the period from discontinued operations	(2,563)	(772)		
Earnings used in calculating dilutive earnings per share from continuing operations	57,868	53,914		
	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	72,987,787	70,592,633		

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 166,000 partly paid shares (2006: nil) and an exercise of nil executive options (2006: 316,667).

Note 5 Retained earnings		Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Company 2007 $'000	Parent Company 2006 $'000
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	745	860	745
Tax effect of adjustment to defined benefit liability on actuarial gain	3	(258)	(223)	(258)	(224)
Reclassification from asset revaluation reserve		-	4,425	-	1,540
Net profit attributable to members		60,431	50,103	59,287	34,009
Total available for appropriation		110,236	91,192	72,060	54,160
Dividends paid or provided for		(51,215)	(41,989)	(51,215)	(41,989)
Retained earnings at the end of the financial year		59,021	49,203	20,845	12,171
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
		51,215	41,989	51,215	41,989
Dividends proposed and not recognised as a liability - 37 cents per share (2006: 34 cents) - fully franked		26,793	24,245	26,793	24,245

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%).

Franking credit balance	Parent Company 2007 $'000	Parent Company 2006 $'000
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	21,503	5,369
	40,465	29,310

Notes to the Financial Statements

Note 7 Trade and other receivables	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Company 2007 $'000	Parent Company 2006 $'000
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	-
		137,359	135,897	775	3,609
Classified as part of a discontinued operation (note 34)		13,719	-	-	-
		151,078	135,897	775	3,609
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)	-	-
		1,968	1,521	707,196	655,015

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

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Company 2007 $'000	Parent Company 2006 $'000
Current				
Television program rights	39	10,996	-	-
Program copyright - at net realisable value	508	656	-	-
Program copyright in production - at cost	6,152	885	-	-
	6,699	12,537	-	-
Classified as part of a discontinued operation (note 34)	20,042	-	-	-
	26,741	12,537	-	-
Non current				
Television program rights	-	9,262	-	-
Program copyright - at net realisable value	2,969	3,482	-	-
	2,969	12,744	-	-

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

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Company 2007 $'000	Parent Company 2006 $'000
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
	17,230	10,082	1,639	800
Classified as part of a discontinued operation (note 34)	183	-	-	-
	17,413	10,082	1,639	800
Non current				
Distribution advances and costs - at recoverable amount	7,929	6,886	-	-
Film investments	3,580	4,394	-	-
Other	2,533	344	-	-
	14,042	11,624	-	-

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.

	Consolidated		Parent Company	
Note 11 Available-for-sale-investments	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000
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
	3,354	1,852	**3,178**	1,827

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
	-	-	**123,165**	123,165

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	**48,976**	61,001	**27,887**	27,769
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	**6,243**	11,043	**1,798**	1,371
Net book value	**42,733**	49,958	**26,089**	26,398
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	**252,661**	268,380	**1,880**	1,741
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	**155,742**	165,788	**1,455**	1,269
Net book value	**96,919**	102,592	**425**	472
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	**1,840**	2,681	**373**	469
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	**791**	1,017	**145**	108
Net book value	**1,049**	1,664	**228**	361

	Consolidated		Parent Company	
Note 13 Property, plant and equipment (continued)	**2007 $'000**	**2006 $'000**	**2007 $'000**	**2006 $'000**
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	**9,045**	8,727	**-**	-
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	**3,643**	4,455	**-**	-
Net book value	**5,402**	4,272	**-**	-
Total property, plant and equipment	**146,103**	158,486	**26,742**	27,231
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	**489,587**	573,992	**-**	-

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

2007
- Regional television network
- Metropolitan radio network

2006
- Regional television network
- Metropolitan television station
- Metropolitan radio network

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

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

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.

Note 15 Goodwill	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Company 2007 $'000	Parent Company 2006 $'000
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	**77,977**	78,071	**-**	-

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

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

	2007 $'000	2006 $'000
Film and television production and distribution	**67,174**	67,268
Digital music distribution	**10,803**	10,803
Net carrying amount	**77,977**	78,071

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.

Note 16 Trade and other payables		Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Company 2007 $'000	Parent Company 2006 $'000
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
		100,066	119,343	**230,967**	221,295
Classified as part of a discontinued operation (note 34)		**31,768**	-	**-**	-
		131,834	119,343	**230,967**	221,295
Non current					
Trade payables	(a)	**-**	6,591	**-**	-
Accrued royalties	(b)	**1,649**	1,160	**-**	-
Other payables		**-**	4,414	**-**	-
		1,649	12,165	**-**	-

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		Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Company 2007 $'000	Parent Company 2006 $'000
Current					
Amounts owing to other entities	(a)	**5,071**	3,081	**-**	-
Finance lease liability	(b)	**710**	609	**237**	123
		5,781	3,690	**237**	123
Classified as part of a discontinued operation (note 34)		**192**	-	**-**	-
		5,973	3,690	**237**	123
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	**-**	-
		200,603	210,541	**-**	262

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:

	Consolidated 2007 $'000	Consolidated 2006 $'000
Total facilities:		
Unsecured bank overdrafts	**4,000**	4,000
Bank guarantee	**1,100**	1,100
Revolving cash advance facility	**275,000**	275,000
	280,100	280,100
Used facilities:		
Unsecured bank overdrafts	**-**	-
Bank guarantee	**301**	306
Revolving cash advance facility	**199,000**	206,000
	199,301	206,306
Unused facilities:		
Unsecured bank overdrafts	**4,000**	4,000
Bank guarantee	**799**	794
Revolving cash advance facility	**76,000**	69,000
	80,799	73,794

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

(a) Other

Other provisions include amounts provided for make good costs, onerous contracts, employee redundancies and directors' retirement benefits.

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

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Company 2007 $'000	Parent Company 2006 $'000
Directors retirement benefits:				
opening balance	1,417	1,341	1,417	1,341
provision for the year	605	76	605	76
closing balance	2,022	1,417	2,022	1,417
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	-	3,129	-	-
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	1,243	2,708	230	1,585
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	3,265	7,254	2,252	3,002

Note 19 Deferred government grants

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Company 2007 $'000	Parent Company 2006 $'000
Deferred government grants				
Current	10,495	3,168	-	-
Non-current	10,918	20,742	-	-
	21,413	23,910	-	-

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:

Note 20 Retirement benefit obligations (continued)	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Company 2007 $'000	Parent Company 2006 $'000
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	1,055	1,014	1,055	1,014
Actual return on plan assets	1,134	759	1,134	759
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	278	975	278	975
Net liability recognised in balance sheet at 30 June 2005 was $1,964,000				
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	16,967	15,508	16,967	15,508
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	16,689	14,533	16,689	14,533

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
	860	745	860	745
Cumulative actuarial gains recognised and expense in the statement of recognised income and expense	1,937	1,077	1,937	1,077
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)

Experience losses adjustments on plan liabilities in 2005 were $112,000
Experince gains adjustments on plan assets in 2005 were $1,014,000

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

Note 20 Retirement benefit obligations (continued)	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Company 2007 $'000	Parent Company 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 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 2007 $'000	Consolidated 2006 $'000	Parent Company 2007 $'000	Parent Company 2006 $'000
Note 21 Issued Capital					
Ordinary shares fully paid		**583,424**	570,355	**583,424**	570,355
Ordinary shares paid to 2.5 cents		**7**	7	**7**	7
Ordinary shares paid to 1 cent		**-**	-	**-**	-
Convertible preference shares fully paid		**-**	-	**-**	-
		583,431	570,362	**583,431**	570,362
		Number	**Number**	**$'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		**72,413,344**	71,308,152	**583,424**	570,355
Movements in ordinary shares paid to 2.5 cents for the year					
On issue at the beginning and end of the year		**272,300**	272,300	**7**	7
Movements in ordinary shares paid to 1 cent for the year					
On issue at the beginning and end of the year		**30,000**	30,000	**-**	-
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		**-**	-	**-**	-

(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.

Note 22 Reserves	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Company 2007 $'000	Parent Company 2006 $'000
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	-	-
		639	(1,124)	3,870	1,397

(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:	Consolidated 2007	Consolidated 2006	Parent Company 2007	Parent Company 2006
Opening balance	-	4,425	-	1,540
Reclassification to retained profits	-	(4,425)	-	(1,540)
Closing balance	-	-	-	-

(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:	Consolidated 2007	Consolidated 2006	Parent Company 2007	Parent Company 2006
Opening balance	(2,799)	(5,452)	-	-
Translation of foreign operations	(2,367)	2,653	-	-
Closing balance	(5,166)	(2,799)	-	-

(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:	Consolidated 2007	Consolidated 2006	Parent Company 2007	Parent Company 2006
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	4,675	2,571	4,675	2,571

(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:	Consolidated 2007	Consolidated 2006	Parent Company 2007	Parent Company 2006
Opening balance	(1,174)	-	(1,174)	-
Fair value adjustment	392	(1,174)	369	(1,174)
Closing balance	(782)	(1,174)	(805)	(1,174)

(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:	Consolidated 2007	Consolidated 2006	Parent Company 2007	Parent Company 2006
Opening balance	278	-	-	-
Gain on interest rate swaps	1,634	278	-	-
Closing balance	1,912	278	-	-

Note 23 Commitments

Capital commitments

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

	Consolidated 2007	Consolidated 2006	Parent Company 2007	Parent Company 2006
Within 1 year	1,166	3,385	-	-
1 to 5 years	-	93	-	-
Later than 5 years	-	9	-	-
	1,166	3,487	-	-

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:

	Consolidated 2007	Consolidated 2006	Parent Company 2007	Parent Company 2006
Within 1 year	10,658	8,093	-	3
1 to 5 years	37,165	29,280	-	-
Later than 5 years	3,092	2,320	-	-
	50,915	39,693	-	3

Note 23 Commitments (continued)	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Company 2007 $'000	Parent Company 2006 $'000
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
		1,358	1,880	**251**	429
Less Future finance charges:					
Within 1 year		**(67)**	(106)	**(14)**	(28)
1 to 5 years		**(24)**	(72)	**-**	(16)
		1,267	1,702	**237**	385
Represent the net present value of lease liabilities as provided for in the financial statements:					
Continuing operations					
Current	17	**710**	609	**237**	123
Non current	17	**365**	1,093	**-**	262
		1,075	1,702	**237**	385
Discontinued operations					
Current	17	**127**	-	**-**	-
Non current	17	**65**	-	**-**	-
		192	-	**-**	-
		1,267	1,702	**237**	385

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

	Note	Consolidated 2007	Consolidated 2006	Parent Company 2007	Parent Company 2006
		Number	**Number**	**Number**	**Number**
The number of full-time equivalents as at 30 June are:		**1,216**	1,213	**42**	24
		$'000	$'000	**$'000**	**$'000**
The aggregate employee entitlement liability is comprised of:					
Continuing operations					
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	**11,416**	13,256	**1,058**	869
Discontinued operations					
Annual leave		**728**	-	**-**	-
Long service leave		**1,146**	-	**-**	-
Associated on costs		**281**	-	**-**	-
		2,155	-	**-**	-

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.

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	**1,867,600**	**7.81**	2,212,567	9.34

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 exercised during the year	212	-	-	-	(67)	(490)
Forfeited during the year	-	-	-	-	-	-
On issue at the end of the year	212	225	197	1,034	200	-
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.

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
		514,846	461,676	**72,847**	82,219	**587,693**	543,895
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
		10,976	12,469	**2,008**	1,915	**12,984**	14,384
Finance revenue		**1,327**	1,454	**-**	-	**1,327**	1,454
Total revenue		**527,149**	475,599	**74,855**	84,134	**602,004**	559,733
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)
		91,677	82,402	**3,753**	921	**95,430**	83,323
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
		6,028	5,747	**-**	-	**6,028**	5,747
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		**57,868**	49,331	**2,563**	772	**60,431**	50,103

(a) The consolidated 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)

Note 27 Segment information (continued)

	Continuing Operations		Discontinued Operations		Consolidated	
Industry Segments (continued)	**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
	15,833	16,131	**1,686**	1,652	**17,519**	17,783
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
	950,725	1,051,233	**125,294**	-	**1,076,019**	1,051,233
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
	395,429	432,316	**36,930**	-	**432,359**	432,316
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
	26,016	33,870	**245**	-	**26,261**	33,870
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
	4,072	3,899	**-**	-	**4,072**	3,899

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.

	Continuing 2007	Continuing 2006	Discontinued 2007	Discontinued 2006	Consolidated 2007	Consolidated 2006
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
	514,846	461,676	**72,847**	82,219	**587,693**	543,895
Other operating revenue						
Australia	**10,974**	11,961	**2,008**	1,915	**12,982**	13,876
United Kingdom	**2**	508	**-**	-	**2**	508
	10,976	12,469	**2,008**	1,915	**12,984**	14,384
Finance revenue	**1,327**	1,454	**-**	-	**1,327**	1,454
Total revenue	**527,149**	475,599	**74,855**	84,134	**602,004**	559,733
Result						
Results						
Australia	**81,065**	72,539	**3,753**	921	**84,818**	73,460
United Kingdom	**10,612**	9,863	**-**	-	**10,612**	9,863
	91,677	82,402	**3,753**	921	**95,430**	83,323
Share of associates' net profit / (loss) equity accounted						
Australia	**6,028**	5,747	**-**	-	**6,028**	5,747
United Kingdom	**-**	-	**-**	-	**-**	-
	6,028	5,747	**-**	-	**6,028**	5,747
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	**57,868**	49,331	**2,563**	772	**60,431**	50,103

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
	15,833	16,131	1,686	1,652	17,519	17,783
Assets						
Australia	860,913	967,238	125,294	-	986,208	967,238
United Kingdom	89,811	83,995	-	-	89,811	83,995
	950,724	1,051,233	125,294	-	1,076,019	1,051,233
Liabilities						
Australia	385,135	419,809	36,930	-	422,065	419,809
United Kingdom	10,294	12,507	-	-	10,294	12,507
	395,429	432,316	36,930	-	432,359	432,316
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
	26,016	33,870	245	-	26,261	33,870
Share of equity accounted investments						
Australia	4,072	3,899	-	-	4,072	3,899
United Kingdom	-	-	-	-	-	-
	4,072	3,899	-	-	4,072	3,899

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
Southern Cross View 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			
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

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 UK Plc	UK	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	USA	100	100
Directly controlled by Southern Star Entertainment Plc			
Southern Star Sales (UK) Limited	UK	100	100
Darrall Macqueen Limited	UK	75	75
Primetime Limited	UK	100	100
Carnival Film & Television Ltd	UK	100	100
Directly controlled by Primetime Limited			
Oxford Scientific Films Limited	UK	100	100
Southern Star International Limited	UK	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	UK	100	100
Darrall Macqueen West Limited	UK	100	100
Directly controlled by Carnival Film & Television Ltd			
Blenheim Films Limited	UK	100	100
Rosemary and Thyme Enterprises Limited	UK	100	100
Depotsound Limited	UK	100	100
Carnival (Charles Dickens) Limited	UK	100	100
Directly controlled by Southern Star Singapore Pte Limited			
Southern Star Singapore No. 2 Pte Limited	Singapore	100	100

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:

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

Note 28 Related party disclosures (continued)

The consolidated Income Statement and Balance Sheet of the entities that are members of the "Closed Group" are as follows:

	Consolidated 2007 $'000	Consolidated 2006 $'000
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 investments	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
Goodwill	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 earnings	30,506	33,729
Total parent interests	622,564	607,338
Total minority interests	-	-
Total equity	622,564	607,338

Note 28 Related party disclosures (continued)	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Company 2007 $'000	Parent Company 2006 $'000
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:

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Company 2007 $'000	Parent Company 2006 $'000
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:

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Company 2007 $'000	Parent Company 2006 $'000
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	-	-

During the financial year, a controlled entity advanced an interest bearing loan of $2,428,000 under specified terms to another related party.

Note 29 Remuneration of key management personnel

Remuneration of key management personnel is disclosed in the section titled Remuneration Report (pages 13 to 19) as permitted by Corporations Amendments Regulations 2006, 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

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	
Director	**Shares issued Number**	**Fully paid $ per share**
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

The following summarises the information about the granting of options during the year:

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		
	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	-

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	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	-	-	-	-
John C Dahlsen	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 2007 $'000	Consolidated 2006 $'000	Parent Company 2007 $'000	Parent Company 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
Termination payment	-	-	-	-
	7,005	6,158	4,718	4,220

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 at a fee of $16,000 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 at a fee of $400,000 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.

	Consolidated		Parent Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'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	25,442	28,862	7	7
	25,442	28,862	7	7
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)
	70,591	65,938	64,258	42,045
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:	136	444	-	-
During the financial year, the parent company issued shares pursuant to the Dividend Reinvestment Plan in lieu of cash dividends of	7,018	14,454	7,018	14,454

These transactions 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 $'000	2006 $'000
The amounts of assets and liabilities disposed by major class are:		
Trade and other receivables	5	-
Other assets and liabilities	3	-
	8	-
Cash consideration	13	-
Inflow of cash to dispose of the entity	13	-

Note 31 Business combinations (continued)	Consolidated 2007 $'000	Consolidated 2006 $'000
Cash	-	12,462
Additional costs	-	560
Deferred settlement amounts	-	2,814
Total consideration	-	15,836
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)
	-	15,943
Minority Interest	-	(107)
	-	15,836
Net cash effect of acquisitions:		
Cash consideration	-	12,462
Cash balance acquired	-	(1,202)
Outflow of cash to acquire the entities	-	11,260

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.

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:

	Consolidated					
	2007 $'000					
	Weighted average effective interest rate: %	Floating interest rate $'000	Fixed interest rate maturing: 1 year or less $'000	Fixed interest rate maturing: over 1 - 5 yrs $'000	Non-interest bearing $'000	Total $'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		25,442	9	427	144,974	170,852
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		99,000	5,781	101,603	101,714	308,098

	Consolidated					
	2006 $'000					
	Weighted average effective interest rate: %	Floating interest rate $'000	Fixed interest rate maturing: 1 year or less $'000	Fixed interest rate maturing: over 1 - 5 yrs $'000	Non-interest bearing $'000	Total $'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		28,862	42	444	140,650	169,998
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		51,000	103,690	63,956	127,097	345,743

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, and agreement with a face value of $100,000,000 at 4.7% matured on 15 September 2006. These transactions resulted in $86,000 being removed from the Cash Flow Hedge Reserve and a charge against profits of $169,000.

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	-	-
		75,032	84,140	-	-
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)	-	-
Profit before tax		3,734	901	-	-
Attributable income tax expense		(1,171)	(129)	-	-
Profit for the year from discontinued operations		2,563	772	-	-
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		125,294	-	-	-
Trade and other payables		31,768	-	-	-
Interest bearing loans and borrowings		192	-	-	-
Provisions		4,970	-	-	-
Total liabilities comprising discontinued operations		36,930	-	-	-
Net assets comprising discontinued operations		88,364	-	-	-
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		255	-	-	-

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. 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 as the options have 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 $000	2006 $000	2007 $000	2006 $000
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	555	60	53
Other services in relation to the entity and any other entity in the consolidated group:				
o assurance related	-	141	-	141
Amounts received or due and receivable by non Ernst & Young audit firms for:				
o review of the financial report	15	105	-	-

Directors' Declaration

In accordance with a resolution of the directors of Southern Cross Broadcasting (Australia) Limited, I state that:

(1) In the opinion of the directors:

   (a) the financial statements and notes of the company and of the consolidated entity and the remuneration disclosures included in the directors' report designated as audited are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

      (ii) complying with Accounting Standards and Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2007.

(3) In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 28 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

(4) The directors have been given the declarations by the managing director and chief financial officer required by section 295A of the Corporations Act 2001.

Dated at Melbourne this 29th day of August 2007
For and on behalf of the Board

John C Dahlsen
Director

ERNST & YOUNG

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000
Australia

GPO Box 67
Melbourne VIC 3001

Tel 61 3 9288 8000
Fax 61 3 8650 7777

Independent auditor's report to the members of Southern Cross Broadcasting (Australia) Limited

We have audited the accompanying financial report of Southern Cross Broadcasting (Australia) Limited (the company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 *Related Party Disclosures* ('remuneration disclosures'), under the heading 'Remuneration Report' on pages 13 to 19 of the Directors' Report, as permitted by Corporations Regulation 2M.6.04.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report comprising the financial statements and notes, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's Opinion

In our opinion:

1. the financial report of Southern Cross Broadcasting (Australia) Limited is in accordance with:

   (a) the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the financial position of Southern Cross Broadcasting (Australia) Limited and the consolidated entity as at 30 June 2007 and of their performance for the year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations); and

   (b) other mandatory financial reporting requirements in Australia.

2. the financial report complies with International Financial Reporting Standards as disclosed in Note 1.

3. the remuneration disclosures that are contained on pages 13 to 19 of the Directors' Report comply with Accounting Standard AASB 124 *Related Party Disclosures*.

Ernst & Young

Craig A Boyhan
Partner
Melbourne, 29 August 2007

ERNST & YOUNG

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000
Australia

GPO Box 67
Melbourne VIC 3001

Tel 61 3 9288 8000
Fax 61 3 8650 7777

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

In relation to our audit of the financial report of Southern Cross Broadcasting (Australia) Limited for the financial year ended 30 June 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Craig A Boyhan
Partner
Melbourne, 29 August 2007

Corporate Governance Statement

The company is committed to protecting and enhancing shareholder value and adheres to the highest of ethical standards. This Statement outlines the main corporate governance policies and practices of the company. Unless otherwise stated, they reflect the practices in place throughout the year. The Board of Directors considers that its corporate governance practices comply with the specific best practice recommendations of the ASX Corporate Governance Council Best Practice Recommendations which applied during the reporting period. More detailed descriptions of company policies and procedures relating to corporate governance are available on the company's website at www.southerncrossbroadcasting.com.au.

BOARD OF DIRECTORS

Role and responsibilities

The Board is responsible to shareholders for the performance and management of the company. The Board's role, responsibilities and powers are set out in the Board Charter. The principal responsibilities of the Board specified in the Board Charter are:

- input into and final approval of management's corporate strategy and performance objectives;
- appointing and removing the Managing Director and determining the Managing Director's remuneration;
- monitoring the performance of the company's management;
- succession planning for key roles within the company, particularly the Managing Director, the Chairman and the Board;
- establishing, reviewing and monitoring the company's corporate governance practices;
- reviewing and ratifying systems of risk management and internal compliance and control;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- reviewing the company's general approach to compensation and overseeing the development and implementation of compensation and remuneration programs; and
- overseeing the company's processes for disclosure and communications.

The Board has formally delegated responsibility to management for the day to day operations of the company, subject to certain authority limits and reporting requirements.

Composition and independence

The Board comprises eight directors, of whom seven are non-executive directors and one (A E Bell, the company's Managing Director) is an executive director. Details of the qualifications and experience of the directors and each director's term in office are set out on page 9.

According to the company's Board Charter, a director shall be regarded as independent if that director is a non-executive director and:

(a) is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;

(b) within the last three years has not been employed in an executive capacity by the company or another group member, or been a director after ceasing to hold any such employment;

(c) within the last three years has not been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided;

(d) is not a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;

(e) has no material contractual relationship with the company or another group member other than as a director of the company; and

(f) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

A professional adviser, consultant, supplier or customer of the company will be considered to be "material" where the total amount paid or billed to that person (as the case may be) in any financial year exceeds $100,000. The Board does not consider that a director's length of tenure affects his or her independence. The Board believes that limits on tenure may cause loss of experience and expertise that are important contributors to the efficient working of the Board. As a consequence, the Board does not support arbitrary limits on tenure.

The Board considers that each of its non-executive directors are independent, except for N R Balnaves and D R Kingston. Mr Balnaves was Executive Chairman of Southern Star until 30 September 2005, when he resigned from his executive role but remained a director of the company and provided consultancy services to the company for a further period. By virtue of his relationship to the company as a former executive and his former consultancy arrangement with the company, Mr Balnaves is not considered to be independent. Mr Kingston took a leave of absence from the Board between 15 February 2007 and 31 July 2007 to provide consultancy services to the company through his business K Capital Pty Ltd. In that role he was a material professional adviser to the company, such that the Board no longer considers him to be independent in accordance with the Board's independence guidelines. Mr Bell, as an executive director, is not considered to be independent.

The roles of the Managing Director and the Chairman are separate and the Chairman is an independent non-executive director.

Appointment and reappointment of Directors

The Nomination and Corporate Governance Committee assists the Board in assessing the skills required by the Board from time to time and in identifying candidates for potential appointment to the Board. Where necessary, having regard to the skills required and skills represented on the Board, the Nomination and Corporate Governance Committee implements a process for identifying and assessing appropriate candidates for appointment to the Board and makes recommendations accordingly. Although flexible, criteria for the selection and appointment of directors include:

- skills, expertise and experience in relevant fields;
- ability to commit the required time to Board matters;
- geographical considerations; and
- absence of conflicts.

Prospective directors may be identified from a number of sources, including professional recruitment consultants, board or management contacts or shareholder nominations.

New directors are appointed on the basis of a formal letter of appointment, which sets out the key terms and conditions of their appointment. In addition, new directors receive a comprehensive induction pack and briefings from management, to assist them to better understand the company's operations, strategies, policies and other key issues.

In accordance with the ASX Listing Rules, the Corporations Act and the company's constitution, non-executive directors are subject to retirement by rotation at least every three years and new directors appointed by the Board are required to seek re-election at the first general meeting following their appointment. Recommendation of retiring directors for reappointment is not automatic, but requires the resolution of the non-retiring directors, who will consider if the retiring directors remain appropriate for recommendation as directors in light of the ongoing requirements of the Board.

Meetings of the Board

During the year, the Board met on 25 occasions. Senior management attend and make presentations at Board meetings as considered appropriate and are available for questioning by directors. Board meetings occur either at the company's head office or at other company sites, to enable the Board to extend their knowledge of the company's operations and to meet staff. During the year, the Board also took the opportunity to meet with certain of the company's key clients and other stakeholders, at specially organised functions.

The non-executive directors meet regularly prior to Board meetings without management being present.

Access to information and independent professional advice

All directors have unrestricted access to company information and records and receive regular and detailed operational and financial reports from management to enable them to carry out their duties. With the approval of the Chairman, which will not be unreasonably withheld, any director or committee of the Board can seek independent legal and/or other professional advice as considered necessary, at the company's expense, in carrying out their duties.

BOARD COMMITTEES

During the year, the company changed its Board committee structure. Throughout the year, the Board operated an Audit Committee, Nomination and Corporate Governance Committee and a Remuneration Committee. A Business Development Committee operated up to 2 May 2007, when it was merged with the Media Laws Response Committee, which operated between 4 December 2006 and 2 May 2007. The Audit, Nomination and Corporate Governance and Remuneration Committees are each structured to comprise at least three directors, each of whom is a non-executive director, and with a majority of members of each committee (including the committee chair) being independent. The Business Development Committee was also structured in this manner. The Mergers and Acquisitions Committee has a more flexible structure, which permits executive directors to become members and does not require that a majority of members be independent. The Media Laws Response Committee, when it was in operation, was structured in the same manner as the Mergers and Acquisitions Committee.

The Board is responsible for appointing and removing committee members. Each committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the company. Each committee reports to the Board at the following Board meeting on matters addressed by the committee. The membership and terms of reference of each committee are set out below. Each committee conducts a formal review of its charter each year. The current committee charters are available on the company's website. Attendance by directors at committee meetings is set out on page 10.

Audit Committee

Members: C G Clark (Chairman), N R Balnaves (since 16 November 2006), D R Kingston (until 16 November 2006) and C J Smith. The qualifications of the members of the Audit Committee are set out on page 9. All members of the Audit Committee are financially literate.

The duties and responsibilities of the Audit Committee are to:

- make recommendations to the Board on the appointment, reappointment or replacement and remuneration of the external auditor;
- review and assess the independence of the external auditor;
- review the scope, processes and results of the external audit;
- monitor the effectiveness and appropriateness of the accounting and internal control systems and reporting of the company;
- review the company's financial statements and Appendices 4D and 4E prior to filing with ASX;
- review the adequacy and effectiveness of the company's risk management framework by gaining assurance that major risks have been identified and are appropriately managed; and
- review the company's processes for monitoring compliance with key legal and regulatory requirements.

The Managing Director, Chief Financial Officer and other members of management attend meetings of the Audit Committee by invitation. The Audit Committee meets with the external auditors in the absence of management on a regular basis.

Mergers and Acquisitions Committee
Members: J C Dahlsen (Chairman), N R Balnaves, C J Smith and A E Bell.

The Mergers and Acquisitions Committee was established on 2 May 2007. The duties and responsibilities of the Mergers and Acquisitions Committee are to:

- review and advise the Board on mergers and acquisitions issues, including proposed acquisitions, divestitures and the establishment or cessation of any significant business;
- act as an initial response committee in respect of any offer or proposal made in relation to a possible acquisition of the company; and
- act as a sounding board for the Managing Director on mergers and acquisitions and business development issues.

Nomination and Corporate Governance Committee
Members: M Darling (Chair), G D Allen and J C Dahlsen.

The duties and responsibilities of the Nomination and Corporate Governance Committee are:

- to assess from time to time the necessary and desirable competencies of Board members;
- where necessary, having regard to the skills required and the skills represented, to implement a process for identifying suitable candidates for appointment to the Board and to make recommendations to the Board on candidates it considers appropriate for appointment to the Board;
- to ensure appropriate succession plans are in place to maintain an appropriate balance of skills, experience and expertise on the Board;
- to establish procedures for the evaluation of the Board, its committees and individual directors;
- to develop and implement induction procedures designed to allow new Board appointees to participate fully and actively in board decision making at the earliest opportunity;
- to develop and recommend to the Board for approval corporate governance principles, policies and practices which should apply to the company; and
- to develop and recommend to the Board for approval the corporate governance statement contained in the company's annual report or any other statutory report or document in respect of corporate governance.

Remuneration Committee
Members: G D Allen (Chairman), M Darling and J C Dahlsen.

The duties and responsibilities of the Remuneration Committee are:

- in consultation with senior management, to review and recommend to the Board for approval the company's general approach to compensation;
- to oversee the development and implementation of compensation and incentive programs, including the company's Executive Performance Plan;
- to review and recommend to the Board for approval:
  - goals and objectives relevant to the compensation of the Managing Director, evaluate the performance of the Managing Director in light of those goals and objectives and recommend to the Board for approval the Managing Director's compensation;
  - the remuneration of nominated senior executives of the company;
  - the remuneration of non-executive directors; and
  - the remuneration report for inclusion in the company's directors' report and any other statement on the company's remuneration policy or executive compensation disclosures required by any listing rule, legislation, governing body or other regulatory requirement.

Business Development Committee
Members: J C Dahlsen (Chairman), N R Balnaves, D R Kingston (until 16 February 2007) and C J Smith.

The Business Development Committee merged with the Media Laws Response Committee on 2 May 2007 to become the Mergers and Acquisitions Committee.

The duties and responsibilities of the Business Development Committee were to:

- review and advise the Board on business development issues, including acquisitions, divestitures and the establishment or cessation of any significant business; and
- act as a sounding board for the Managing Director on business development issues.

Media Laws Response Committee
Members: J C Dahlsen (Chairman), N R Balnaves, C J Smith and A E Bell.

The Media Laws Response Committee was established on 4 December 2006. The Media Laws Response Committee merged with the Business Development Committee on 2 May 2007 to become the Mergers and Acquisitions Committee.

The duties and responsibilities of the Media Laws Response Committee were to:

- review and advise the Board on opportunities arising out of amendments to the Broadcasting Services Act 1992 effected by the Broadcasting Services Amendment (Media Ownership) Act 2006 and related legislation; and
- act as an initial response committee in respect of any offer or proposal made in relation to a possible acquisition of the company.

BOARD PERFORMANCE REVIEW

The Nomination and Corporate Governance Committee is responsible for establishing procedures for the evaluation of the Board as a whole and individual directors. The procedures established require directors to complete customised evaluation forms, the results of which are compiled by the Chairman and discussed with the full board. The Chairman also meets individually with each director on an annual basis to review their performance and give them the opportunity to raise any particular concerns or issues not addressed by the review of the Board as a whole. This review was undertaken during May and June 2007. Each Board committee undertakes a similar annual process of completion and discussion of customised evaluation forms.

The performance of the Managing Director is reviewed on an annual basis by the Remuneration Committee. Each year, the Remuneration Committee determines short and long term performance objectives which will apply to the Managing Director and performance is assessed against these objectives annually. These performance objectives and the Managing Director's remuneration are discussed in the Remuneration Report, which commences on page 13.

REMUNERATION POLICIES

The company's Remuneration Report (which commences on page 13) contains full details of the company's remuneration policies and practices, including the remuneration of directors and the most highly paid executives of the company.

INDEMNITY OF DIRECTORS AND OFFICERS

The company has entered into deeds to indemnify directors and officers of the company and its controlled entities from and against all liabilities incurred as a director or officer, except liabilities owed to the company and those arising out of conduct that was not in good faith. In addition, the company has directors and officers insurance against liabilities similar in nature to those covered by the deeds of indemnity.

CODE OF CONDUCT

The company recognises that the success of its business and the maintenance of its integrity requires that its directors and employees pursue the highest standards of ethical conduct at all times. The company has adopted a Code of Conduct to promote ethical behaviour by directors, employees and broadcasters. The company's Code of Conduct is available on the company's website. The Code of Conduct is reviewed on an annual basis by the Nomination and Corporate Governance Committee. The company encourages the reporting of any violations or suspected violations of its Code of Conduct. The company has implemented a whistleblower policy to facilitate anonymous reporting of suspected breaches of the Code of Conduct or other legal or ethical issues and to formalise company practices regarding protection of whistleblowers.

SAFEGUARDING THE INTEGRITY OF FINANCIAL REPORTING

External auditors

The company's financial statements are subject to an annual audit by the company's auditors, who also conduct a review of the company's half yearly financial statements. The Audit Committee oversees this process on behalf of the Board.

The company's current auditors are Ernst & Young. The auditors attend meetings of the Audit Committee by invitation and regularly meet with the committee in the absence of management. The company's current audit engagement partner was appointed in 2007. Consistent with the Corporations Act, the Company requires the rotation of the audit engagement partner every 5 years.

The independence of the external auditor is of particular importance to shareholders and the Board. Each half year, the external auditor provides the Audit Committee with an independence declaration certifying its continued independence and in particular confirming that it has not carried out any engagements during the year that would impair its professional independence as auditor.

To maintain the highest standards of corporate governance in relation to auditor independence, the company has adopted a policy regarding non-audit services that may be performed by the external auditor. Under the policy, the external auditor is prohibited from performing any non-audit services for the company where the external auditor would, as a result of the engagement:

- have mutual or conflicting interests with the company;
- audit their own work;
- act in a management capacity or as an employee; or
- act as an advocate for the company.

A copy of this policy can be viewed on the company's website. Details of the amounts paid to the external auditor during the year for audit and other services are set out in note 36 to the Financial Statements. In accordance with the Corporations Act and based on the advice of the Audit Committee, the Board is satisfied that the provision of non-audit services during the year by the external auditor is compatible with the general standard for auditor independence imposed by the Corporations Act.

Ernst & Young attend and are available to answer questions at the company's annual general meeting.

Executive certification

The Managing Director and Chief Financial Officer have declared to the Board in writing that:

- the financial records of the company for the year ended 30 June 2007 have been properly maintained in accordance with section 286 of the Corporations Act;
- the financial statements, and the accompanying notes, for year ended 30 June 2007 comply with the accounting standards;
- the financial statements and notes for the year ended 30 June 2007 give a true and fair view;
- the statements above are founded on a sound system of risk management and internal compliance and control systems which, in all material respects, implement the policies adopted by the Board;

- the company's risk management and internal compliance and control systems, to the extent they relate to financial reporting, are operating efficiently and effectively in all material respects; and
- nothing has come to their attention since 30 June 2007 that would indicate any change to the statements above.

This declaration to the Board is underpinned by a requirement for relevant senior executives of the company to provide a letter of representation to the Managing Director and Chief Financial Officer verifying various matters within their area of responsibility and disclosing matters which may have a material effect on the financial results or operations of the company.

RISK MANAGEMENT

The Board of the company is responsible for reviewing and ratifying the company's systems of risk management and internal control. The Board is assisted in monitoring risk by the Audit Committee. The Audit Committee has responsibility for monitoring the effectiveness and appropriateness of the accounting and internal control systems of the company, as well as more general responsibility for reviewing the adequacy and effectiveness of the company's risk management framework. Details of relevant risks and risk control profiles are reviewed by the Audit Committee on a periodic basis.

The Audit Committee oversees an annual internal audit of compliance with the company's regulatory compliance policies and practices. The Audit Committee (and/or the Nomination and Corporate Governance Committee, where appropriate) receive reports regarding any control failures or compliance issues that arise out of the company's operations, to enable them to review the appropriateness of relevant controls and to monitor management's response. The Board receives regular reports on litigation in which the company is involved, as well as details of any regulatory action or investigations involving the company, such as where complaints are made against the company's broadcasting business units under the various broadcasting standards and codes that govern their operation and those complaints are referred to the Australian Communications and Media Authority for investigation.

The company has embedded a number of risk management controls in its management and reporting systems, including:

- guidelines and limits for the approval of capital expenditure;
- a set of regulatory compliance policies and practices, covering key areas such as broadcasting, workplace conduct, occupational health and safety and trade practices, supported by annual staff training;
- long and short term budgeting and monthly reporting against performance targets;
- policies and procedures for the management of financial risk and treasury operations, including exposures to foreign currencies and movements in interest rates;
- a comprehensive insurance program, with insurance against key risks, such as the loss of broadcast assets;
- Managing Director and Chief Financial Officer representations in respect of financial reporting; and
- appropriate due diligence procedures for acquisitions.

SHARE DEALINGS BY DIRECTORS AND EXECUTIVES

The company prohibits dealings in the company's shares by directors and staff who possess material non-public price-sensitive information about the company. In addition, directors and nominated executives and staff may only deal in the company's shares during "trading windows", being not less than one day but not more than 30 days after the company's half year results announcement, full year results announcement and the company's Annual General Meeting, or in other circumstances where the company and its officers are not in possession of price sensitive information and certain approvals are obtained. Certain exceptions apply to these restrictions and these are detailed in the company's share trading policy, which is available on the company's website.

DISCLOSURE TO SHAREHOLDERS AND THE MARKET

The company is committed to ensuring that shareholders are kept up to date in relation to significant developments and activities of the company. It does this through:

- the Half-Yearly and Annual Report;
- the company's Annual General Meeting and associated documents;
- the company's website at **www.southerncrossbroadcasting.com.au**, which contains all recent company announcements and other news and information relating to the company; and
- media and other releases sent to the ASX.

The company also has a comprehensive disclosure and communication policy to ensure compliance with the ASX Listing Rule continuous disclosure requirements and the Corporations Act. The policy requires that potentially market sensitive information be notified immediately to the Company Secretary. The Company Secretary, Managing Director, Chief Financial Officer and General Counsel will consider whether disclosure to the market is required, in consultation with the Chairman as necessary. The policy also requires the appointment of authorised company spokespersons and regulates briefings to analysts and investors. A copy of the disclosure and communication policy is available on the company's website.

Shareholder Information

Ordinary Shares Fully Paid

Substantial Shareholders as at 23 August 2007

	Number of shares	% of shares
Macquarie Media Holdings Limited	11,884,664	16.40
Macquarie Bank Limited	11,553,245	15.95
Commonwealth Bank of Australia	5,947,162	8.21
452 Capital Pty. Limited	4,479,617	6.19
Perpetual Limited	3,829,526	5.29

Macquarie Bank Limited has included Macquarie Media Holdings Limited's shareholding in its substantial shareholding through its association with Macquarie Media Holdings Limited.

Commonwealth Bank of Australia has included 452 Capital Pty. Limited's shareholding in its substantial shareholding through its association with 452 Capital Pty. Limited.

Top Twenty Holders as at 23 August 2007

	Number of shares	% of shares
Trust Company Limited (Macquarie Media A/C)	10,000,000	13.78
JP Morgan Nominees Australia Ltd	6,527,998	9.00
Citicorp Nominees Pty Limited	4,220,336	5.82
National Nominees Ltd	3,881,200	5.35
RBC Dexia Investor Services Australia Nominees	3,491,427	4.81
HSBC Custody Nominees (Australia) Limited	2,917,657	4.02
Cogent Nominees Pty Limited	2,124,578	2.93
ANZ Nominees Limited (Cash Income A/C)	1,866,842	2.57
Gail Road Pty Ltd	1,810,082	2.49
HSBC Custody Nominees (Australia) Limited - GSI ECSA	1,387,478	1.91
Australian Foundation Investment Company Ltd	1,091,617	1.50
UBS Nominees Pty Ltd	1,036,144	1.43
Australian United Investment Company Limited	1,000,000	1.38
Sevanlab Star Investments Pty Ltd	1,000,000	1.38
Sevanlab Star Investments	884,664	1.22
Mikaroo Pty Limited	812,000	1.12
Argo Investments Limited	793,475	1.09
Diversified United Investment Limited	700,000	0.96
Taft Broadcasting Company Limited	694,169	0.96
Debuscey Pty Ltd	653,600	0.90
	46,893,267	**64.63**

Distribution of shareholdings as at 23 August 2007

	Number of holders	Number of shares
1,000 or less	3,014	1,536,965
1,001 to 5,000	2,583	6,032,262
5,001 to 10,000	298	2,206,289
10,001 to 100,000	215	5,809,030
100,001 and over	71	56,973,798
Total number of holders	6,181	72,558,344
Number of holders with less than a marketable parcel	97	993

Voting rights

All ordinary shares issued by the company carry one vote per share without restriction.

Corporate Information

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

Directors
J C Dahlsen (Chairman)
G D Allen
N R Balnaves
A E Bell (Managing Director)
C G Clark
M Darling
D R Kingston
C J Smith

Company Secretary
E Chia

Registered Office
70 Park Street
South Melbourne VIC 3205
Telephone: +61 3 9243 2100
Facsimile: +61 3 9682 5158

Share Registry
Link Market Services Limited
Securities Registration Services
Level 12, 680 George Street
Sydney NSW 2000
Telephone: +61 2 8280 7111
Facsimile: +61 2 8287 0309

Lead Banker
Australia and New Zealand
Banking Group Limited

Stock Exchange Information
Shares are listed on the
Australian Stock Exchange
ASX Code: SBC

Solicitors
Corrs Chambers Westgarth

Auditors
Ernst & Young

Senior Management

Tony Bell
Managing Director

Stuart Boxer
Chief Financial Officer

Eddie Chia
Group Financial Controller

Adam Olding
Director of Corporate Affairs & General Counsel

Raoul Prideaux
Director of Engineering & Technology

Steve Robinson
General Manager
Business Advancement

Jeremy Simpson
National Sales Director

Graham Mott
Group General Manager
Radio & General Manager
Radio 3AW & Magic 1278

Declan Kelly
General Manager
Radio 6PR & 96FM

David McDonald
General Manager
Radio 4BC & 4BH

Simon Ruhfus
General Manager
Radio 2UE

Bruce Abraham
Group General Manager
Television

Greg Dodgson
General Manager
Southern Cross Ten

Paul Hogan
General Manager
Southern Cross Television
Tasmania

Nadine Jones
General Manager
Southern Cross Television
Darwin & Central

Hugh Marks
Chief Executive Officer
Southern Star Group

Catherine Payne
Chief Executive Officer
Southern Star International

Kim Anderson
General Manager
Southern Cross View

Bill Barrington
General Manager
Southern Cross Syndication

Rick Solomon
General Manager
Satellite Music Australia