

ASX RELEASE

21 FEBRUARY 2019

**APPENDIX 4D
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

Results for Announcement to the Market (All comparisons to 31 December 2017)

Key Financial Information	\$'000	up/down	% movement
Revenue from ordinary activities	335,720	Up	0.2%
Net profit from ordinary activities after tax (including significant items)	(119,282)	Down	418.0%
Net profit from ordinary activities after tax (excluding significant items)	39,536	Up	5.4%

Dividend Information	Amount per share cents	Franked amount per share cents	Tax rate for franking credit
Final FY2018 dividend per share (paid 9 October 2018)	4.00	4.00	30%
Interim FY2019 dividend per share (to be paid 11 April 2019)	3.75	3.75	30%

The dividend reinvestment plan has been suspended and will not apply in respect of the interim FY2019 dividend.

Interim FY2019 Dividend Dates

Ex-dividend date	1 March 2019
Record date	4 March 2019
Payment date	11 April 2019

	31 Dec 18	31 Dec 17
Net Tangible Assets Per Security	\$(0.27)	\$(0.28)

Additional Appendix 4D disclosure requirements can be found in the directors' report, financial statements and notes to the financial statements contained in the Southern Cross Austereo Interim Financial Report for the half year ended 31 December 2018. This report is based on the consolidated Interim Financial Report for the half year ended 31 December 2018 which has been reviewed by PricewaterhouseCoopers with the Independent Auditor's Review Report included in the Interim Financial Report.

Investors:
Nick McKechnie
 Chief Financial Officer
 Tel: 03 9922 2001

Media:
Tony Hudson
 Head of Legal and Corporate Affairs
 Tel: 03 9252 1013
 Mob: 0438 171 896

SOUTHERN CROSS AUSTEREO

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

Southern Cross Austereo comprises Southern Cross Media Group Limited and its subsidiaries. Southern Cross Media Group Limited is a company limited by shares and incorporated and domiciled in Australia. The registered office of Southern Cross Media Group Limited is Level 2, 257 Clarendon Street, South Melbourne, Victoria 3205 Australia. Tel: +61 3 9252 1019.

Directors' Report.....	1
Directors	1
Principal Activities	1
Review and Results of Operations	1
Significant Items	2
Dividends	2
Significant Changes in State of Affairs	2
Events Occurring After Balance Sheet Date	2
Directors' Holdings of Shares	2
Auditor's Independence Declaration	3
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity.....	6
Statement of Cash Flows	7
Notes to the Financial Statements.....	8
1. Summary of Significant Accounting Policies	8
2. Segment Information	9
3. Revenue	10
4. Significant Items	10
5. Income Tax Expense	10
6. Dividends Paid	11
7. Non-Current Assets – Intangible Assets	11
8. Impairment	13
9. Derivative Financial Instruments	15
10. Contributed Equity	16
11. Events Occurring after Balance Sheet Date	16
12. Other Accounting Policies	17
13. Change in accounting policies	18
Directors' Declaration	20
Independent auditor's review report to the members of Southern Cross Media Group Limited	21

Directors' Report

The Directors of Southern Cross Media Group Limited ("the Company") submit the following report for Southern Cross Austereo, being Southern Cross Media Group Limited and its subsidiaries ("the Group"), for the half year ended 31 December 2018. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

The following persons were Directors of the Company during the whole of the financial half year, unless otherwise stated, and up to the date of this report:

- Peter Bush (Chairman)
- Leon Pasternak (Deputy Chairman)
- Grant Blackley
- Glen Boreham
- Rob Murray
- Helen Nash
- Melanie Willis

Principal Activities

The principal activities of the Group during the course of the financial half year were the creation and broadcasting of content on free-to-air commercial radio (AM, FM and digital), TV and online media platforms across Australia. These media assets are monetised via revenue generated from the development and sale of advertising solutions for clients.

There were no changes in the nature of the Group during the half year.

Review and Results of Operations

The Group reported revenue of \$335.7 million for the 6 month period ended 31 December 2018, an increase of 0.15% from \$335.2 million for the same period in the prior year. EBITDA for the 6 months was \$82.0 million increasing 2.5% from \$80.0 million in the same period in the prior year. Net loss after tax was \$119.3 million for the 6 months ended 31 December 2018, from a net profit after tax of \$37.5 million in the same period in the prior year. Current year results included impairment charges against the television intangible asset. Excluding this significant item, net profit after tax of \$39.5 million is up 5.4% on the prior year.

A change has been made to the presentation of the results of operations to reflect organisational structure changes, with reporting of the results now analysed between Audio and Television reporting segments. Further description of this change is set out in Note 2 "Segment Information" to the financial statements.

EBITDA is a measure that, in the opinion of the directors, is a useful supplement to net profit in understanding the cash flow generated from operations and available for payment of income taxes, debt service and capital expenditure. EBITDA is useful to investors because analysts and other members of the investment community largely view EBITDA as a widely recognised measure of operating performance. EBITDA disclosed within the Directors' Report is equivalent to "Profit before depreciation, amortisation, interest, fair value movements on financial derivatives and income tax expense for the half year" included within the Statement of Comprehensive Income.

Significant Items

In the 6 months to 31 December 2018, the Group recognised impairment charges against intangible assets of \$226.9 million, which related to an impairment in the carrying value of television licences in the Television Cash Generating Unit ("CGU"). There was also a related derecognition of a deferred tax liability in respect of those licences of \$68.1 million.

Dividends

The final dividend for the year ended 30 June 2018 was 4.0 cents per fully paid share, fully franked and was paid on 9 October 2018 by the Company. Since the end of the financial half year ended 31 December 2018 the Directors have declared an interim ordinary dividend of 3.75 cents per fully paid share, fully franked (31 December 2017 interim dividend: 3.75 cents per fully paid share, fully franked). The interim dividend will be paid on 11 April 2019 by the Company. The dividend reinvestment plan has been suspended and this interim dividend will be paid fully in cash.

Significant Changes in State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the half year under review.

Events Occurring After Balance Sheet Date

Events occurring after balance date are outlined in Note 11 "Events Occurring after Balance Date" to the Financial Statements.

Directors' Holdings of Shares

The aggregate number of Company fully paid shares held directly, indirectly or beneficially by directors of the Company at the date of this report is 1,983,132 (30 June 2018: 1,718,957).

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

Signed in accordance with resolutions of the directors of Southern Cross Media Group Limited.



Peter Bush
Chairman
Southern Cross Media Group Limited
Sydney, Australia
21 February 2019



Grant Blackley
Director
Southern Cross Media Group Limited
Sydney, Australia
21 February 2019



Auditor's Independence Declaration

As lead auditor for the review of Southern Cross Media Group Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Southern Cross Media Group Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'S Loble'.

Sam Loble
Partner
PricewaterhouseCoopers

Melbourne
21 February 2019

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

Statement of Comprehensive Income

		1 Jul 18 -31 Dec 18	1 Jul 17 -31 Dec 17 (Restated)
	Note	\$'000	\$'000
Revenue from continuing operations	3	335,720	335,181
Broadcast and production costs		(62,524)	(66,691)
Employee expenses		(101,301)	(99,242)
Selling costs		(40,833)	(40,066)
Occupancy costs		(14,558)	(13,848)
Promotions and marketing		(8,715)	(10,187)
Administration costs		(25,983)	(25,585)
Share of net profit/(losses) of investments accounted for using the equity method		204	471
Profit before depreciation, amortisation, interest, fair value movements on financial derivatives and income tax expenses for the half year from continuing operations		82,010	80,033
Impairment of intangibles		(226,883)	-
Depreciation and amortisation expense		(14,901)	(15,084)
Interest expense and other borrowing costs		(10,237)	(11,112)
Interest revenue		441	513
(Loss)/Profit before income tax expense for the half year from continuing operations		(169,570)	54,350
Income tax credit/(expense) from continuing operations	5	50,288	(16,839)
(Loss)/Profit from continuing operations after income tax for the half year		(119,282)	37,511
<i>Other comprehensive income for the half year that may be reclassified to profit or loss:</i>			
Changes to fair value of cash flow hedges, net of tax		(1,065)	740
Total comprehensive (loss)/profit for the half year attributable to shareholders		(120,347)	38,251
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share		(15.5)	4.9
Diluted earnings per share		(15.5)	4.9

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

Statement of Financial Position

	Note	31 Dec 18 \$'000	30 June 18 (Restated) \$'000
Current assets			
Cash and cash equivalents		49,879	56,052
Receivables		124,461	136,714
Total current assets		174,340	192,766
Non-current assets			
Receivables		1,495	1,617
Investments accounted for using the equity method		8,285	7,740
Property, plant and equipment		130,561	130,607
Intangible assets	7	917,873	1,144,744
Total non-current assets		1,058,214	1,284,708
Total assets		1,232,554	1,477,474
Current liabilities			
Payables		56,804	66,640
Deferred Income		12,454	6,718
Provisions		16,070	18,138
Borrowings		-	19
Current tax liabilities		31	2,476
Total current liabilities		85,359	93,991
Non-current liabilities			
Deferred Income		92,608	95,192
Provisions		7,648	7,966
Borrowings		343,063	357,601
Deferred tax liability		262,012	330,068
Derivative financial instruments	9	2,942	1,419
Total non-current liabilities		708,273	792,246
Total liabilities		793,632	886,237
Net assets		438,922	591,237
Equity			
Contributed equity	10	1,379,736	1,379,736
Reserves		4,051	5,601
Other equity transaction		(77,406)	(77,406)
Accumulated losses		(867,757)	(716,992)
Equity attributable to equity holders		438,624	590,939
Non-controlling interest		298	298
Total equity		438,922	591,237

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

Statement of Changes in Equity

2018

	Contributed equity \$'000	Share- based payment reserve \$'000	Hedge reserve \$'000	Other equity transactions \$'000	(Accumulated losses) /retained profits \$'000	Total \$'000	Non- controlling interest \$'000	Total equity \$'000
Total equity at 1 July 2018	1,379,736	6,595	(994)	(77,406)	(716,992)	590,939	298	591,237
Loss for the half year	-	-	-	-	(119,282)	(119,282)	-	(119,282)
Other comprehensive income	-	-	(1,065)	-	-	(1,065)	-	(1,065)
Total comprehensive income	-	-	(1,065)	-	(119,282)	(120,347)	-	(120,347)
Transactions with equity holders in their capacity as equity holders:								
Employee share entitlements	-	75	-	-	-	75	-	75
Payments on maturity of Long Term Incentive Plan	-	(560)	-	-	(722)	(1,282)	-	(1,282)
Dividends paid	-	-	-	-	(30,761)	(30,761)	-	(30,761)
	-	(485)	-	-	(31,483)	(31,968)	-	(31,968)
Total equity at 31 December 2018	1,379,736	6,110	(2,059)	(77,406)	(867,757)	438,624	298	438,922

2017

	Contributed equity \$'000	Share- based payment reserve \$'000	Hedge reserve \$'000	Other equity transactions \$'000	(Accumulated losses) /retained profits \$'000	Total \$'000	Non- controlling interest \$'000	Total equity \$'000
Total equity at 1 July 2017	1,379,736	5,671	(1,820)	(77,406)	(655,382)	650,799	298	651,097
Impact of adoption of accounting standard AASB 15 Revenue from contracts with customers	-	-	-	-	(1,984)	(1,984)	-	(1,984)
Revised total equity at 1 July 2017	1,379,736	5,671	(1,820)	(77,406)	(657,366)	648,815	298	649,113
Profit for the half year	-	-	-	-	37,511	37,511	-	37,511
Other comprehensive income	-	-	740	-	-	740	-	740
Total comprehensive income	-	-	740	-	37,511	38,251	-	38,251
Transactions with equity holders in their capacity as equity holders:								
Employee share entitlements	-	989	-	-	-	989	-	989
Payments on maturity of Long Term Incentive Plan	-	(178)	-	-	(109)	(287)	-	(287)
Dividends paid	-	-	-	-	(30,761)	(30,761)	-	(30,761)
	-	811	-	-	(30,870)	(30,059)	-	(30,059)
Total equity at 31 December 2017	1,379,736	6,482	(1,080)	(77,406)	(650,725)	657,007	298	657,305

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

	Note	1 Jul 18 - 31 Dec 18 \$'000	1 Jul 17 - 31 Dec 17 \$'000
Cash flows from operating activities			
Receipts from customers		383,291	372,368
Payments to suppliers and employees		(302,386)	(303,585)
Interest received from external parties		441	513
Tax paid		(19,755)	(18,916)
Net cash inflows from operating activities		61,591	50,380
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(14,855)	(11,576)
Payments for purchase of investments and intangibles		(12)	(62)
Proceeds from sale of property, plant and equipment		-	108
Payment for purchase of investments		-	-
Net cash flows used in investing activities		(14,867)	(11,530)
Cash flows from financing activities			
Dividends paid to security holders	6	(30,761)	(30,761)
Payments for debt refinancing		-	(280)
Repayment of borrowings from external parties		(15,000)	(10,000)
Interest paid to external parties		(7,018)	(11,455)
Payments for finance leases		(118)	(33)
Net cash flows used in financing activities		(52,897)	(52,529)
Net (decrease)/increase in cash and cash equivalents		(6,173)	(13,679)
Cash assets at the beginning of the half year		56,052	48,978
Cash assets at the end of the half year		49,879	35,299

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

This condensed consolidated interim financial report for the half year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of the Company for the year ended 30 June 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Basis of Preparation

i) *Compliance with IFRS*

Compliance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* ensures that the interim financial report complies with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB). Consequently, this interim financial report has also been prepared in accordance with and complies with IAS 34 *Interim Financial Reporting* as issued by the IASB.

ii) *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss. All amounts are presented in Australian dollars, unless otherwise noted.

iii) *Comparative figures*

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period and for the impact of adoption of AASB 15 *Revenue from contracts with customers*.

Rounding of Amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' Report and Financial Report. Amounts have been rounded off in accordance with the Instrument to the nearest thousand dollars, unless otherwise indicated.

Critical Accounting Estimates and Judgement

The preparation of the interim financial report in accordance with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires the Group to exercise judgement in the process of applying the accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The Group believes the estimates used in the preparation of the interim financial report are reasonable. Actual results in the future may differ from those reported.

The critical estimates and judgements adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Notes to the Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Notes to the financial statements

Notes relating to individual line items in the financial statements now include accounting policy information where it is considered relevant to an understanding of these items, as well as information about critical accounting estimates and judgements. Details of the impact of new accounting policies and all other accounting policy information are disclosed at the end of the financial report in note 13.

2. Segment Information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The Group has determined operating segments based on the information reported to the Group CEO and the Company Board of Directors. The Group has previously determined that it has two operating segments being the Regional free-to-air commercial radio and television broadcasting segment and the Metro free-to-air radio broadcasting segment.

To align with organisational structure changes, the Group has made a change to its financial structure. The revised segment reporting will now comprise two main segments:

- Audio, comprising metro and regional radio, podcasting and other related businesses
- Television, comprising the regional television business

Comparative information for the six months through to 31 December 2017 has been restated.

	Audio		Television		Corporate		Consolidated	
	1 Jul 18- 31 Dec 18 \$'000	1 Jul 17- 31 Dec 17 \$'000	1 Jul 18- 31 Dec 18 \$'000	1 Jul 17- 31 Dec 17 \$'000	1 Jul 18- 31 Dec 18 \$'000	1 Jul 17- 31 Dec 17 \$'000	1 Jul 18- 31 Dec 18 \$'000	1 Jul 17- 31 Dec 17 \$'000
Segment Revenue	230,196	221,800	104,657	112,680	867	701	335,720	335,181
Statutory EBITDA / Segment Result	79,034	73,677	14,618	17,892	(11,642)	(11,536)	82,010	80,033
EBITDA % of Revenue	34.3%	33.2%	14.0%	15.9%	-	-	24.4%	23.9%
Impairment of Intangibles	-	-	(226,883)	-	-	-	(226,883)	-
Depreciation and Amortisation	-	-	-	-	-	-	(14,901)	(15,084)
Statutory EBIT / Segment Result	-	-	-	-	-	-	(159,774)	64,949
Net Financing costs	-	-	-	-	-	-	(9,796)	(10,599)
Income tax expense	-	-	-	-	-	-	50,288	(16,839)
(Loss)/Profit for the half year attributable to shareholders	-	-	-	-	-	-	(119,282)	37,511

Notes to the Financial Statements (continued)

3. Revenue

The profit before income tax from continuing operations included the following specific items of revenue:

	1 Jul 18 - 31 Dec 18	1 Jul 17 - 31 Dec 17 (Restated)
	\$'000	\$'000
Revenue from continuing operations		
Sales revenue	333,751	333,251
Rental revenue	1,969	1,930
Total revenue from continuing operations	335,720	335,181

4. Significant Items

The net profit after tax includes the following items whose disclosure is relevant in explaining the financial performance of the Group. Significant items are those items of such a nature or size that separate disclosure will assist users to understand the financial statements.

	1 Jul 18 - 31 Dec 18	1 Jul 17 - 31 Dec 17
	\$'000	\$'000
Impairment of intangibles (refer notes 7 and 8)	(226,883)	-
Derecognition of deferred tax liability on impairment (refer note 5)	68,065	-
Total significant items included in net loss after tax	(158,818)	-

5. Income Tax Expense

	1 Jul 18 - 31 Dec 18	1 Jul 17 - 31 Dec 17 (Restated)
	\$'000	\$'000
Income tax expense		
Current Tax		
Current Tax on profits for the year	16,291	14,875
Adjustments for current tax of prior periods	744	2,049
Total current tax expense	17,035	16,924
Deferred income tax		
(Decrease)/increase in net deferred tax assets	(66,697)	2,185
Adjustment for deferred tax of prior years	(626)	(2,270)
Total deferred tax credit	(67,323)	(85)
Income tax (credit)/expense	(50,288)	16,839

Notes to the Financial Statements (continued)

6. Dividends Paid

	1 Jul 18 - 31 Dec 18 \$'000	1 Jul 17 - 31 Dec 17 \$'000
The dividends were paid/payable as follows:		
Final dividend paid for the year ended 30 June 2018/2017 – fully franked at the tax rate of 30% and paid in cash	30,761	30,761
	30,761	30,761
	Cents per share	Cents per share
Final dividend paid for the year ended 30 June	4.0	4.0

7. Non-Current Assets – Intangible Assets

	Goodwill \$'000	Broadcasting Licences \$'000	Brands and Trademarks \$'000	Customer Contracts '000	Total \$'000
31 December 2018	\$'000	\$'000	\$'000	'000	\$'000
Cost	352,129	1,483,224	89,828	-	1,925,181
Accumulated impairment expense	(352,129)	(630,331)	(24,848)	-	(1,007,308)
Net carrying amount	-	852,893	64,980	-	917,873
Movement					
Net carrying amount at 30 June 2018	-	1,079,776	64,968	-	1,144,744
Additions	-	-	12	-	12
Impairment expense	-	(226,883)	-	-	(226,883)
Net carrying amount at end of period	-	852,893	64,980	-	917,873

Notes to the Financial Statements (continued)

7. Non-Current Assets – Intangible Assets (continued)

	Goodwill	Broadcasting Licences	Brands and Trademarks	Customer Contracts	Total
31 December 2017	\$'000	\$'000	\$'000	\$'000	\$'000
Cost	352,129	1,483,224	89,762	2,240	1,927,355
Accumulated impairment expense	(352,129)	(300,583)	(24,848)	-	(677,560)
Accumulated amortisation expense	-	-	-	(1,216)	(1,216)
Net carrying amount	-	1,182,641	64,914	1,024	1,248,579
Movement					
Net carrying amount at 30 June 2017	-	1,182,641	64,852	1,462	1,248,955
Additions	-	-	62	-	62
Amortisation expense	-	-	-	(438)	(438)
Net carrying amount at end of period	-	1,182,641	64,914	1,024	1,248,579

Impairment of goodwill and intangible assets with indefinite useful lives

The value of licences, trademarks, brands and goodwill is allocated to the Group's cash generating units ("CGUs").

The Group tests at least annually whether goodwill and intangible assets with indefinite useful lives have suffered any impairment and when there is an indication of impairment. The tests incorporate assumptions regarding future events which may or may not occur, resulting in the need for future revisions of estimates.

There are also judgements involved in determination of CGUs. Due to changes in the organisational and financial structure, the Group has reassessed its CGUs. The impact of the reassessment is to recognise the regional and metro free-to-air commercial radio broadcasting and related operations as one CGU, "Audio", and to recognise the regional television broadcasting operations as a separate CGU, "Television". Previously regional free-to-air commercial radio and television broadcasting formed the "Regional" CGU and metro free-to-air commercial radio broadcasting was the separate "Metro" CGU.

Notes to the Financial Statements (continued)

8. Impairment

a) Impairment tests for licences, tradenames, brands and goodwill

The value of licences, tradenames, brands and goodwill is allocated to the Group's CGUs, which have recently been reassessed as described in note 7, as Audio and Television. Based on the reassessment of the CGUs, an impairment test has been carried out at 31 December 2018.

The recoverable amount of Audio and Television at 31 December 2018 was determined based on a value in use discounted cash flow ("DCF") model.

Allocation of goodwill and other intangible assets

Consolidated	Audio CGU	Television CGU	Total
31 December 2018	\$'000	\$'000	\$'000
Goodwill allocated to CGU	-	-	-
Indefinite lived intangible assets allocated to CGU	917,873	-	917,873
Total goodwill and indefinite lived intangible assets	917,873	-	917,873

Key Judgement	Audio CGU %	Television CGU %
Value in use assumptions (see part (b))		
Revenue growth – Forecast Period	3.5	(5.3)
Cost growth – Forecast Period	2.2	(2.4)
Long-term growth rate – terminal value		
Radio	2.0	N/A
Television	N/A	(5.9)
Discount rate (post-tax)	9.2	9.2

b) Key assumptions used for value in use calculations

The value-in-use calculations use cash flow projections based on the remaining six months of the FY2019 Board approved financial budgets, as adjusted for actual performance in the six months to 31 December 2018, extended over the subsequent four and a half year period ("Forecast Period") and applies a terminal value calculation using estimated growth rates approved by the Board for the business relevant to each CGU. In determining appropriate growth rates to apply to the Forecast Period and to the terminal calculation, the Group considered forecast reports from independent media experts as well as internal company data and assumptions. In respect to each CGU the market growth rates did not exceed the independent forecast reports. The discount rate used reflects specific risks relating to the relevant segments and the economies in which they operate.

c) Impairment loss

Audio CGU

The recoverable amount is greater than the carrying amount.

Notes to the Financial Statements (continued)

8. Impairment (continued)

Television CGU

At 31 December 2018, an impairment loss of \$226.9m was recorded against television licences in the Television CGU. The estimated recoverable amount of the Television CGU, based on value-in-use, equals its carrying amount. On the reassessment of the CGUs, the assets of the Regional CGU were allocated between the Audio and the Television CGUs. The carrying value attributable to the Television CGU was in excess of the CGU's value-in-use, which was the main cause of the impairment.

Sensitivity

Any variation in the key assumptions used to determine the value-in-use would result in a change of the recoverable amount of the Television CGU. Negative variances may cause impairment in future periods. The following changes in key assumptions would have the following approximate impact on recoverable amount and carrying value for the Television CGU:

Sensitivity	Change in variable in perpetuity %	Impact of change on Television CGU carrying value \$ million
Revenue	+1%	10.5
	-1%	(10.2)
Expenses	+1%	(8.5)
	-1%	8.3
Post tax discount rate	+0.5%	(0.4)
	-0.5%	0.4
Terminal growth rate	+0.5%	0.1
	-0.5%	(0.1)

Notes to the Financial Statements (continued)

9. Derivative Financial Instruments

	31 Dec 18	30 Jun 18
	\$'000	\$'000
Interest rate swap contracts – current liability	-	-
Interest rate swap contracts – non current liability	2,942	1,419
Total derivative financial instruments	2,942	1,419

Hedge accounting

The Group designated interest rates swaps held as at 1 July 2011 as cash flow hedges and has applied hedge accounting from this date.

The Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking the hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

The fair values of derivative financial instruments used for hedging purposes are presented within the balance sheet. Movements in the hedging reserve are shown within the Statement of Changes in Equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

In 2017 the Group entered into \$200 million of interest rate swap contracts under which it is obliged to receive interest at variable rates and pay interest at fixed rates starting in January 2018 at an average fixed rate of 2.43%. These interest rate swap contracts will expire in January 2021. In 2018 the Group entered into \$100 million of interest rate swap contracts under which it is obliged to receive interest at variable rates and pay interest at fixed rates starting in January 2018 at an average fixed rate of 2.25%. These interest rate swap contracts will expire in January 2022.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Comprehensive Income.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within "interest expense and other borrowing costs". When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

Notes to the Financial Statements (continued)

10. Contributed Equity

	31 Dec 18	30 Jun 18
	\$'000	\$'000
Ordinary Shares	1,379,736	1,379,736
Contributed equity	1,379,736	1,379,736

	1 Jul 18 - 31 Dec 18 \$'000	1 Jul 17 - 31 Dec 17 \$'000	1 Jul 18 - 31 Dec 18 Number of securities '000	1 Jul 17 - 31 Dec 17 Number of securities '000
On issue at the beginning of the half year	1,379,736	1,379,736	769,014	769,014
On issue at the end of the financial year	1,379,736	1,379,736	769,014	769,014

11. Events Occurring after Balance Sheet Date

Other than matters outlined elsewhere in this report, no matters or circumstances have arisen since the end of the half year that have significantly affected or may significantly affect the operations of the Group, the results of these operations in future financial years or the state of affairs of the Group in periods subsequent to the half year ended 31 December 2018.

Notes to the Financial Statements (continued)

12. Other Accounting Policies

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The Group has adopted *AASB 7 Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial instruments that are not traded in an active market (for example, unlisted convertible notes) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

New accounting standards and interpretations

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective changes as a result of adopting the following standards:

- *AASB 9 Financial Instruments*, and
- *AASB 15 Revenue from Contracts with Customers*

AASB 9 Financial Instruments replaces *AASB 139 Financial Instruments: Recognition and Measurement* and makes a number of changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for allowances against financial assets.

Loss allowance

In adopting *AASB 9*, the Group revised its loss allowance methodology in relation to its trade receivables and has now applied a simplified model of recognising lifetime expected credit losses immediately upon recognition. These items do not have a significant financing component and have maturities of less than 12 months. Historical loss allowances in relation to trade receivables have not been material.

The impact of the change in the loss allowance methodology did not result in a material change to the Group's net trade receivables in the current or prior reporting period.

The impact of the adoption of *AASB 15 Revenue from Contracts with Customers* is disclosed in Note 13 below.

Notes to the Financial Statements (continued)

12. Other Accounting Policies (continued)

Accounting Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 and 30 June 2019 reporting periods. AASB 16 *Leases* is mandatory for annual reporting periods beginning on or after 1 January 2019. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The Group is in the process of performing an assessment of the potential impact of AASB 16 *Leases*. While the impact of adopting this new standards is not yet known, it may have a material impact on the amounts recognised in the financial statements of future periods.

13. Change in accounting policies

This note explains the impact of the adoption of AASB 15 *Revenue from Contracts with Customers* on the Group's financial statements that have been applied from 1 July 2018, where they are different to those applied in prior periods.

a) AASB 15 *Revenue from Contracts with Customers*

The Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in AASB 15, the Group has adopted the new rules retrospectively and has restated comparatives.

The Group has identified that a significant financing component exists within the ATN contract. Under AASB 15, the Group is required to separate the underlying revenue from the implied financing component and associated interest expense. Following a review of a representative sample of other contracts, no other material changes were required. The following adjustments were made to the amounts recognised in the balance sheet at 30 June 2018 and profit and loss for the six months to 31 December 2017.

Statement of financial position	AASB 118 carrying amount 30 June 2018 \$'000	Remeasurement \$'000	AASB 15 carrying amount 1 July 2018 \$'000
Current Deferred Income	8,553	(1,835)	6,718
Non current Deferred Income	88,609	6,583	95,192
Deferred tax liability	331,492	(1,424)	330,068
Retained profits	(713,668)	(3,324)	(716,992)

Notes to the Financial Statements (continued)

13. Change in accounting policies (continued)

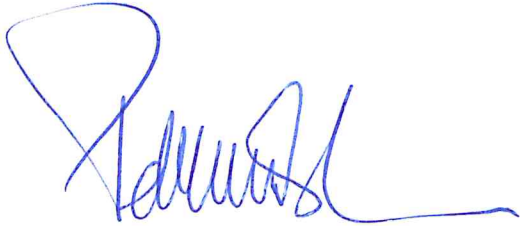
Statement of comprehensive income to 31 December 2017	As originally presented \$'000	Remeasurement \$'000	Restated \$'000
Revenue from continuing operations	333,293	1,888	335,181
EBITDA	78,145	1,888	80,033
Interest Expense and other borrowing costs	(8,267)	(2,845)	(11,112)
Income tax expense	(17,126)	287	(16,839)
Net profit after tax	38,181	(670)	37,511
Earnings per share	5.0	(0.1)	4.9

Directors' Declaration

The directors of the Company declare that:

- (a) the financial statements and notes set out on pages 4 to 19 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the financial position of the Group as at 31 December 2018 and the financial performance of the Group, as represented by the results of its operations, changes in equity, and cash flows, for the interim financial period ended on that date; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors of Southern Cross Media Group Limited.



Peter Bush
Chairman
Sydney, Australia
21 February 2019



Grant Blackley
Director
Sydney, Australia
21 February 2019



Independent auditor's review report to the members of Southern Cross Media Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Southern Cross Media Group Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration for Southern Cross Media Group Limited. The Group comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Southern Cross Media Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Southern Cross Media Group Limited is not in accordance with the *Corporations Act 2001* including:



1. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Sam Lobley', written in a cursive style.

Sam Lobley
Partner

Melbourne
21 February 2019