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Southern Cross Media Group

Southern Cross Media Group

(formerly known as Macquarie Media Group)

COMPRISING SOUTHERN CROSS MEDIA TRUST (FORMERLY KNOWN AS MACQUARIE MEDIA TRUST), SOUTHERN CROSS MEDIA GROUP LIMITED (FORMERLY KNOWN AS MACQUARIE MEDIA HOLDINGS LIMITED) AND SOUTHERN CROSS MEDIA INTERNATIONAL LIMITED (FORMERLY KNOWN AS MACQUARIE MEDIA INTERNATIONAL LIMITED) AND THEIR RESPECTIVE SUBSIDIARIES.

Management Information Report For the half year ended 31 December 2009

Southern Cross Media Group (**SCMG**) (formerly known as Macquarie Media Group) comprises Southern Cross Media Trust (ARSN 116 151 467) (**SCMT**) (formerly known as Macquarie Media Trust), Southern Cross Media Group Limited (ACN 116 024 536) (**SCMGL**) (formerly known as Macquarie Media Holdings Limited) and Southern Cross Media International Limited (ARBN 118 577 423) (**SCMIL**) (formerly known as Macquarie Media International Limited) and their respective subsidiaries.

SCMGL is a company limited by shares incorporated and domiciled in Australia. The registered office of SCMGL is C/- Company Secretarial, Mezzanine Level, No 1 Martin Place, Sydney, NSW 2000, Australia.

SCMIL is an exempted mutual fund company incorporated in Bermuda with limited liability with Bermudian registration number EC37694. The registered office of SCMIL is C/- ISIS Fund Services Ltd, Penboss Building, 2nd Floor, 50 Parliament Street, Hamilton HM12, Bermuda.

Macquarie Media Management Limited (ACN 115 524 019) (AFS Licence No 292297) (**MMML**) is the responsible entity of SCMT and manager of SCMGL and SCMIL. MMML is a member of the Macquarie Group of Companies. MMML's registered office is C/- Company Secretarial, Mezzanine Level, No 1 Martin Place, Sydney, NSW 2000, Australia.

None of the entities noted in this document is an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia). The obligations of these entities do not represent deposits or other liabilities of Macquarie Bank Limited (ABN 46 008 583 542) (**MBL**). MBL does not guarantee or otherwise provide assurance in respect of the obligations of these entities.

This report is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in SCMG, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

MMML, as responsible entity of SCMT and manager of SCMGL and SCMIL is entitled to fees for so acting. The Macquarie Group of Companies (including MMML) together with their officers and directors and officers and directors of SCMGL and SCMIL may hold stapled securities in SCMG from time to time.

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Overview of SCMG

Southern Cross Media Group ("SCMG") is an investor in Australian and international media operations.

It is a triple stapled security listed on the Australian Securities Exchange ("ASX"). Stapled securities in the case of SCMG comprise three securities that are quoted and traded as if they were a single security. An SCMG stapled security (ASX: SXL) consists of a unit in Southern Cross Media Trust ("SCMT" or "the Trust"), an ordinary share in Southern Cross Media Group Limited ("SCMGL") and an ordinary share in Southern Cross Media International Limited ("SCMIL"). Macquarie Media Management Limited ("MMML") is the responsible entity of SCMT and the manager of each of SCMGL and SCMIL.

The Proportionate Earnings disclosures in this Report include the results of media operations that SCMG controls or has significant influence over. At 31 December 2009, SCMG's portfolio of operating assets and beneficial ownership interests were as follows:

	Southern Cross Media		American Consolidated Media
	Commercial Radio Broadcasting	Commercial Television Broadcasting	Community Newspapers
Economic Interest held	%	%	%
As at 31 December 2009	**100.0**	**100.0**	**100.0**
As at 30 June 2009	100.0	100.0	100.0
% Change	-	-	-

The Operations

Southern Cross Media

Southern Cross Media ("SCM") is Australia's leading regional broadcaster with the ability to reach a potential audience of approximately 7.5 million people, or 95% of Australia's population outside the mainland State capital cities. SCM is also the largest regionally focused media provider, able to offer customers an integrated radio and television advertising opportunity.

American Consolidated Media

American Consolidated Media ("ACM") is the fifth largest specialist owner of small market (markets comprising <15,000 people) community newspapers in the United States. ACM today owns approximately 90 publications across 18 regional markets in 9 states of the United States of America with a weekly distribution of 961,000 newspapers and a total weekly readership of 2.6 million people.

Repositioning of SCMG

On 28 October 2009 SCMG (then Macquarie Media Group) announced a series of initiatives intended to enhance security holder value, optimise the capital and corporate structure of SCMG and reposition the business for the future. The initiatives included a recapitalisation of SCMG (see details below) (the "Recapitalisation"), a proposal to internalise management (the "Internalisation") and a proposal to simplify the corporate structure of SCMG by converting from a triple stapled structure into a single holding company (the "Corporatisation"). The Recapitalisation completed in early December 2009. The Internalisation and Corporatisation were approved at SCMG security holder meetings held on 17 December 2009, however completion of those initiatives remains subject to certain conditions. Following security holder approval of the Internalisation on 17 December 2009, Rhys Holleran, the CEO of Southern Cross Media ("SCM") (formerly known as Macquarie Southern Cross Media), assumed the additional responsibility of CEO of SCMG, replacing Mark Dorney.

Recapitalisation

On 2 December 2009 SCMG completed its underwritten A$294 million single bookbuild accelerated renounceable entitlement offer at $1.55 per stapled security ("Entitlement Offer"). Of the Entitlement Offer, 59% of retail entitlements and 94% of institutional entitlements were accepted, giving an overall acceptance rate of 83%. The bookbuild in respect of entitlements attributable to renouncing eligible security holders and ineligible security holders completed at a clearing price of $1.65 per new stapled security, representing a premium of 10 cents per new security.

The net proceeds of the Entitlement Offer together with the majority of parent level cash were applied to reduce debt outstanding under SCM's business level bank facility (the "SCM Facility") from A$872.5 million to A$337.5 million on 3 December 2009. Following the debt prepayment, refinance discussions for the SCM Facility, which matures on 1 November 2010, have progressed to an advanced stage.

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Overview of SCMG (cont'd)

Internalisation

On 17 December 2009 SCMG security holders voted overwhelmingly in favour of the Internalisation following the unanimous recommendation of the Independent Directors of SCMG and the conclusion by the Independent Expert, Ernst & Young Transaction Advisory Services Limited, that the proposal was fair and reasonable to SCMG security holders other than the Macquarie Group ("Macquarie") and its associates. As consideration for the termination of Macquarie's existing management rights, SCMG will pay Macquarie $40.5 million cash. As at the date of this Report the completion of the Internalisation remains conditional upon SCM lender consent or refinancing on terms permitting the Internalisation and, if completion is to take place prior to 1 July 2010, ACM lender consent or refinancing on terms permitting the Internalisation.

The existing management arrangements with Macquarie will continue until completion of the Internalisation and Macquarie will continue to receive management fees during this period. Following completion of the Internalisation, certain transitional services will be provided to SCMG by Macquarie until 31 December 2010.

Corporatisation

On 17 December 2009 SCMG security holders also voted overwhelmingly in favour of the Corporatisation. The Corporatisation will involve the termination of the stapling arrangements, following which SCMG security holders will, through a series of steps, exchange their units in SCMT and shares in SCMIL for new shares in SCMGL so that SCMGL becomes the sole listed parent company of SCMG. The benefits of the Corporatisation include creating a simplified structure that is expected to have greater appeal to a broader range of investors, to allow for unification under one board of directors and to provide for a simpler governance structure and simpler financial reporting requirements.

As at the date of this Report, completion of the Corporatisation remains conditional upon completion of the Internalisation, SCM lender consent or refinancing on terms permitting the Corporatisation and, if completion is to take place prior to 1 July 2010, ACM lender consent or refinancing on terms permitting the Corporatisation.

On 17 December 2009 SCMG security holders also approved various changes of name for the stapled entities (to remove references to Macquarie) and "Macquarie Media Group" became known as "Southern Cross Media Group".

Report Summary

This Management Information Report ("the Report") contains Proportionate Earnings, Unconsolidated Cash Flows and other information for the half year ended 31 December 2009. It has been prepared using policies adopted by the directors of MMML, SCMGL and SCMIL and, unless stated otherwise, these policies have been consistently applied to all periods presented in this Report.

The purpose of this Report is to provide information supplementary to the Interim Financial Report of SCMG. This Report has been prepared on a different basis to the SCMG Interim Financial Report. The information contained within this Report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and the cash flows of SCMG as in the Interim Financial Report. This Report should be read in conjunction with the Interim Financial Report of SCMG, which can be found on the SCMG website at http://www.macquarie.com.au/mmg/investor_centre/financials.htm.

Further details in relation to the preparation of this Report are set out below and in the notes to the Report on pages 10 to 13.

Proportionate Earnings

	Actual Results 6 months to 31 December 2009 $'000	Proforma Results 6 months to 31 December 2008 $'000	Actual Results 6 months to 31 December 2008 $'000
Media operations revenue	**261,932**	275,804	284,800
Media operations expenses	**(183,909)**	(191,724)	(198,915)
Media operations EBITDA	**78,023**	84,080	85,885
Media operations maintenance capital expenditure	**(1,046)**		(2,563)
Media operations net interest expense	**(42,150)**		(45,341)
Media operations net tax expense	**(488)**		(751)
Proportionate earnings (pre-corporate income and expenses)	**34,339**		37,230
Corporate interest income	**6,074**		12,683
Losses on foreign currency hedge contracts	**-**		(1,568)
Corporate expenses	**(4,228)**		(4,509)
Corporate net tax expense	**(297)**		(24)
Proportionate earnings (pre-transaction costs for the Internalisation and Corporatisation)	**35,888**		43,812
Transaction costs for the Internalisation and Corporatisation	**(3,224)**		-
Proportionate earnings (post-transaction costs for the Internalisation and Corporatisation)	**32,664**		43,812

For the 6 months to 31 December 2009, SCMG's total media operations EBITDA was $78.0m, a decrease of 9.2% on the actual prior corresponding period ("pcp") total media operations EBITDA of $85.9m.

Proportionate Earnings (pre-transaction costs for the Internalisation and Corporatisation) for the 6 months to 31 December 2009 was $35.9m, a decrease of 18.1% on pcp actual results of $43.8m. Proportionate Earnings for the period exclude the $170.6 million (31 December 2008: $127.1 million) impairment charge made against the carrying value of non-current assets in relation to ACM. These non-cash items have no impact on SCMG's operating cashflows or its ability to pay distributions.

Proforma Results for the 6 months ended 31 December 2009 have been derived by restating the prior period results to reflect the continuing operations, the current period beneficial ownership interests and current period foreign currency exchange rates. This enables comparison of the operational performance of media operations between periods on a "like-for-like" basis. Specifically, the Actual Results for the 6 months to 31 December 2009 and the Proforma Results for the 6 months to 31 December 2008 exclude the revenue, expenses and EBITDA relating to one of ACM's newspaper titles which was sold in the 6 months to 31 December 2008.

On a Proforma Results basis, Media Operations Revenue decreased by 5.0% on pcp and Media Operations EBITDA decreased by 7.2%. Refer pages 4 and 5 for a discussion of the Southern Cross Media and American Consolidated Media results for the six months ended 31 December 2009.

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Proportionate Earnings (continued)

Southern Cross Media

	Actual Results 6 months to 31 December 2009 $'000	Proforma Results 6 months to 31 December 2008 $'000	% Change
Media operations revenue[1]			
Commercial radio broadcasting	**75,852**	79,957	(5.1%)
Commercial television broadcasting	**136,009**	136,813	(0.6%)
Total media operations revenue SCM	**211,861**	216,770	(2.3%)
Media operations expenses	**(143,003)**	(144,752)	(1.2%)
Total media operations EBITDA	**68,858**	72,018	(4.4%)
EBITDA Margin %	***32.5%***	*33.2%*	*(0.7%)*
Maintenance capital expenditure	**(863)**		
Net interest expense	**(35,051)**		
Net tax expense	**(462)**		
Proportionate earnings	**32,482**		

[1] Media operations revenue includes local and national advertising sales revenue, production revenue, representation revenue, sponsorship income, the accounting impact of government licence fee rebates and promotions income

The Actual Results for the 6 months ended 31 December 2008 are the same as the Proforma results for the 6 months to 31 December 2008 as no Proformas adjustments were required.

For the six months ended 31 December 2009 revenue from operations has decreased by 2.3% to $211.9m and EBITDA has decreased by 4.4% to $68.9m. The EBITDA margin has decreased by 0.7% from 33.2% to 32.5%.

Radio revenues have decreased 5.1% on the prior corresponding period, reflecting the difficult external environment. Local advertising revenues, which represent 68.4% of total radio advertising revenues, have declined 4.6% when compared to the prior corresponding period and national advertising revenues, which represent 22.4%, are down 7.6%. While the conditions within which SCM Radio operates remain challenging, performance has improved toward the end of the calendar year as is evidenced by a reducing rate of revenue decline on pcp.

TV performance continues to improve, in part due to the improved Southern Cross Ten Ratings and also due to the increased levels of media buyer interest and confidence levels both nationally and within the local markets within which SCM TV operates. Local advertising revenues, which represent 37.6% of total TV advertising revenues, increased by 0.3% and national advertising revenues, which represent 55.1% of total TV advertising revenues, increased 1.4%.

American Consolidated Media

	Actual Results 6 months to 31 December 2009 A$'000	Proforma Results 6 months to 31 December 2008 A$'000	% Change
Media operations revenue	**50,071**	59,034	(15.2%)
Media operations expenses	**(40,906)**	(46,972)	(12.9%)
Total media operations EBITDA	**9,165**	12,062	(24.0%)
EBITDA Margin %	***18.3%***	*20.4%*	*(2.1%)*
Maintenance capital expenditure	**(183)**		
Net interest expense	**(7,099)**		
Net tax expense	**(26)**		
Proportionate earnings	**1,857**		

Proforma Results for the 6 months to 31 December 2008 have been adjusted to exclude the revenue, expenses and EBITDA relating to one of ACM's newspaper titles which was sold in the 6 months to 31 December 2008.

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Proportionate Earnings (continued)

American Consolidated Media (continued)

The economic conditions in the US markets within which ACM's community newspaper business operates remain challenging. The withdrawal of discretionary advertising spending by local companies continues to impact revenues as does the downturn in the real estate and motor vehicle categories. On a like for like basis revenue has decreased 15.2% on the prior corresponding period and EBITDA has decreased 24.0%. The EBITDA margin has decreased 2.1%, however the full impact of external market pressures on revenues has been softened by management's focus on rigorous cost management.

ACM's display advertising revenues, which are driven by local advertisers, represent 56.3% of total revenue for the half year ended 31 December 2009 and are down 8.9% on the prior comparative period. In contrast, classified advertising revenues, which are more exposed to the level of consumer transactions in real estate and motor vehicles, and which represent 13.2% of revenue, continue to be materially impacted by the lower overall level of consumer transactions in the market and are down 28.7%. Steady circulation increases have partially offset the impact on total ACM revenues of the decline in advertising.

SCMG Corporate net interest income

Corporate net interest income represents interest earned on parent level cash and has decreased since the prior corresponding period reflecting the decline in cash rates and the use of a large part of the parent level cash to pay down the SCM bank facility.

SCMG Corporate expenses

Included in SCMG Corporate expenses for the 6 months ended 31 December 2009 are Base Fees of $2.6 million and Performance Fees of $nil.

Proportionate Earnings per Security ("EPS")

		Actual Results 6 months to 31 December 2009	**Actual Results 6 months to 31 December 2008**
Weighted average SCMG securities on issue for the financial half year[1]	000	**266,321**	265,151
Proportionate EPS (pre-transaction costs for the Internalisation and Corporatisation)	cents	**13.5 cps**	16.5 cps
Proportionate EPS (post-transaction costs for the Internalisation and Corporatisation)	cents	**12.3 cps**	16.5 cps

[1] The weighted average SCMG securities for the current and prior period has been calculated on the same basis as the EPS disclosures in the SCMG Interim Financial Report for the half year ended 31 December 2009.

The number of securities on issue increased during the 6 months ended 31 December 2009 due to 189.4 million of securities being issued as a result of the security holders' participation in the 1:1 Entitlement Offer less 1.6 million off-market buy-backs.

The 18.1% decrease in Proportionate earnings (pre-transaction costs for the Internalisation and Corporatisation) reflects the continued challenging advertising environment in Australia and the United States during the current period. Proportionate Earnings per Security (pre-transaction costs for the Internalisation and Corporatisation) has reduced by 18.2% from 16.5 cps to 13.5 cps which is the result of a decrease in Proportionate Earnings and an increase in the weighted average SCMG securities on issue.

Unconsolidated Cash Flows

	6 months to 31 December 2009 $'000	6 months to 31 December 2008 $'000
Cash flows from operations		
Southern Cross Media	**-**	23,975
Cash flows from media operations	**-**	23,975
Interest received	**6,552**	13,909
Payments to suppliers (inclusive of goods and services tax)	**(2,930)**	(5,814)
Responsible entity and manager fees paid	**-**	(2,514)
Taxes refunded	**391**	136
Net payment made on settlement of foreign exchange contracts	**-**	(2,629)
Net cash flows from operations	**4,013**	27,063
Cash flows from investing activities		
Proceeds from sale of media operations[1]	**-**	19,708
Net cash flows from investing activities	**-**	19,708
Cash flows from financing activities		
Proceeds from borrowings from media operations	**-**	369
Repayment of borrowings from / loans advanced to media operations	**(531,860)**	(67,034)
Interest paid on borrowings from media operations	**(11,599)**	(19,341)
Proceeds received from issue of stapled securities	**293,584**	-
Payments for the buying back of stapled securities	**(2,205)**	-
Costs of issuing / buying back stapled securities	**(7,474)**	-
Distributions paid to SCMG security holders	**(6,117)**	(48,252)
Net cash flows from financing activities	**(265,671)**	(134,258)
Net decrease in cash assets held	**(261,658)**	(87,487)
Cash assets at the beginning of the period	**331,228**	407,781
Exchange rate movements	**1**	453
Cash assets at the end of the period	**69,571**	320,747

[1] In the corresponding period this is the receipt of amounts previously held on escrow in relation to the proceeds on sale of TBC

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Media Operations – Operational Information

(1) Southern Cross Media

Australian Revenue	% of total revenue 6 months to 31 December 2009	% change on Proforma pcp	% of total revenue 6 months to 31 December 2008
Commercial Radio Broadcasting			
Local[1]	68.4%	(4.6%)	68.0%
National	22.4%	(7.6%)	23.0%
Total advertising revenue	90.8%	(5.4%)	91.0%
Other operations revenues[2]	9.2%	(2.5%)	9.0%
Total operations revenue[2]	**100.0%**	**(5.1%)**	**100.0%**
Commercial Television Broadcasting			
Local[1]	37.6%	0.3%	37.2%
National	55.1%	1.4%	54.0%
Total advertising revenue	92.7%	1.0%	91.2%
Other operations revenues[2]	7.3%	(16.7%)	8.8%
Total operations revenue[2]	**100.0%**	**(0.6%)**	**100.0%**
Combined SCM			
Local[1]	48.6%	(2.2%)	48.6%
National	43.4%	(0.4%)	42.5%
Total advertising revenue	92.0%	(1.4%)	91.1%
Other operations revenues[2]	8.0%	(11.4%)	8.9%
Total operations revenue[2]	**100.0%**	**(2.3%)**	**100.0%**

[1] Excludes contra revenue

[2] Includes production revenue, sponsorship income, representation revenue, promotions income, government licence fee rebates and contra revenues

(2) American Consolidated Media – Community Newspapers

US Revenue	% of total revenue 6 months to 31 December 2009	% change on Proforma pcp	% of total revenue 6 months to 31 December 2008
Display	56.3%	(8.9%)	52.4%
Classified	13.2%	(28.7%)	15.7%
Total advertising revenue (ex Online)	69.5%	(13.5%)	68.1%
Commercial printing	11.4%	(36.9%)	15.3%
Circulation	17.0%	3.9%	13.9%
Online	1.5%	(24.1%)	1.7%
Other revenues	0.6%	(50.3%)	1.0%
Total operations revenue	**100.0%**	**(15.2%)**	**100.0%**

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Financing Facilities

Information presented below in respect of the Financing Facilities is as at 31 December 2009. Facilities for which the borrowing currency is not AUD have been translated at 31 December period end rates.

(a) Finance facilities available

Borrower	SCMG Fund level	SCM Group of companies[1]	ACM Group of companies[1,2]	Total SCMG
	100%	100%	100%	
	A$m	A$m	A$m	A$m
Term loan facilities - secured				
Drawn at balance date	-	337.5	148.7	486.2
Unused at balance date	-	100.0	-	100.0
Total term loan facility	-	437.5	148.7	586.2
Working capital and capital expenditure facilities				
Drawn	-	-	-	-
Unused at balance date[4]	-	70.0	3.3	73.3
Total working capital facility	-	70.0	3.3	73.3
Total facilities	-	507.5	152.0	659.5
Less: unused at balance date	-	(170.0)	(3.3)	(173.3)
Total drawn facilities at balance date	-	337.5	148.7	486.2
Less: cash on hand[5]	(69.6)	(28.8)	(6.0)	(104.4)
Net debt/(cash)	(69.6)	308.7	142.7	381.8
Weighted average maturity from balance date – Term loan and working capital facilities	-	0.8 year	0.5 year[3]	
Borrowing currency	-	**AUD**	**USD**	

[1] The SCM Facility is secured against SCM and its assets and the ACM Facility is secured against ACM and its assets. There are no guarantees or security granted by the SCMG stapled entities to SCM's or ACM's respective external financiers

[2] Converted into AUD at 0.89916, being the exchange rate as at 31 December 2009

[3] ACM is currently in a forbearance period and further details are provided on page 9

[4] The ACM working capital facility was permanently reduced from US$10.0 million to US$3.0 million and the undrawn balance has been suspended for the forbearance period

[5] Included in the ACM cash on hand balance is $3.2 million (US$2.9 million) that has been restricted in accordance with the terms of the Forbearance Agreement

Of the $69.6 million parent level cash as at 31 December 2009, $54.3 million has been invested in short term instruments at a weighted average interest rate of 4.9%, with the remainder in transactional bank accounts.

(b) Facilities Interest Rate Risk on long term borrowings

	Floating interest rates	Fixed interest rates		Total
		Within 1 year	Over 1 year to 2 years	
	A$m	A$m	A$m	A$m
SCM facility drawn at balance date	337.5	-	-	337.5
Interest rate swaps	(286.9)	186.9	100.0	-
Total	50.6	186.9	100.0	337.5
Weighted average interest rate	6.2%	9.3%	8.2%	8.5%
ACM facility drawn at balance date	148.7	-	-	148.7
Interest rate swaps	(137.1)	137.1	-	-
Total	11.6	137.1	-	148.7
Weighted average interest rate	5.5%	9.8%	-	9.4%

Financing Facilities (continued)

(b) Facilities Interest Rate Risk on long term borrowings (continued)

The weighted average interest rate for the Group's long term borrowings as at 31 December 2009 is 8.8% and the proportion of drawn down principal that is hedged via interest rate swaps is 87%.

- ***Southern Cross Media***

On 3 December 2009 SCM reduced its borrowings outstanding under the SCM Facility from $872.5 million to $337.5 million from the net proceeds of the SCMG Entitlement Offer and the majority of parent level cash. The total SCM Facility at 31 December 2009 is $507.5 million, consisting of $337.5 million drawn and $170.0 million undrawn, the facility limit having been reduced by the term debt component of the $535.0 million debt repayment. The debt repayment resulted in a considerable reduction in leverage and an improvement in the terms upon which the SCM Facility, which matures on 1 November 2010, could be expected to be refinanced had the repayment not been made. Following the debt prepayment, refinance discussions for the SCM Facility have progressed to an advanced stage. Interest rate swaps are in place for 85% of the drawn down principal.

- ***American Consolidated Media***

As at 31 December 2009 ACM had current borrowings of US$133.7 million under its external facility (the "ACM Facility") which is due to mature on 29 June 2010. ACM has breached certain covenants under the ACM Facility, including the leverage covenant for the June and September 2009 quarters and the inclusion of a "going concern" or like qualification or exception in the audit report on ACM's US GAAP accounts for the year to 30 June 2009. On 20 November 2009 ACM entered into a forbearance agreement with its lenders (the "Forbearance Agreement"). The working capital facility was reduced from US$10.0 million to US$3.0 million under the Forbearance Agreement and is currently undrawn. The working capital facility is also currently suspended for the period of the Forbearance Agreement. Under the Forbearance Agreement, whilst the forbearance did not constitute a waiver of ACM's covenant breaches, the ACM lenders agreed not to exercise their rights arising from specified existing and anticipated covenant breaches until the earlier of 29 January 2010 and the occurrence of a forbearance default. On 29 January 2010 the Forbearance Agreement was extended to 29 March 2010. Discussions are continuing between ACM and its lenders in relation to the ACM Facility. Interest rate swaps are in place for 92% of the drawn down principal over the remaining period to the loan's maturity.

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Notes to SCMG Management Information Report

Summary of Significant Report Policies

The significant policies which have been adopted by the board of MMML, in its capacity as responsible entity of SCMT, the board of SCMGL and the board of SCMIL, and used in the preparation of this Report, are stated to assist in a general understanding of this Report. Unless stated otherwise, these policies have been consistently applied to all periods presented in this Report.

PricewaterhouseCoopers ("PwC") have been engaged to perform certain procedures for the directors of MMML, SCMGL and SCMIL in relation to their preparation of the Proportionate Earnings, Proportionate Earnings per Security, Unconsolidated Cash Flows, Media Operations - Operational Information and Financing Facilities disclosures in this Report on the basis set out below. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed by PwC is that of the directors, and these procedures were performed solely to assist the directors of MMML, SCMGL and SCMIL in evaluating the accuracy of the disclosures.

PwC conducted their engagement in accordance with Australian Auditing Standards applicable to agreed upon procedures engagements. The procedures do not constitute either an audit or review in accordance with Australian Auditing Standards and accordingly PwC express no assurance over the accuracy of the Proportionate Earnings, Proportionate Earnings per Security, Unconsolidated Cash Flows, Media Operations - Operational Information and Financing Facilities disclosures or on any other aspect of the Report.

Proportionate Earnings

Current and prior period proportionate earnings information contained in this Report involves the aggregation of the financial results of SCMG's relevant media operations in the relevant proportions that SCMG holds beneficial ownership interests. It is calculated as media operations' revenues less media operations' expenses, media operations' maintenance capital expenditure, media operations' net interest expense, media operations' net tax expense, corporate expenses and corporate net tax expense plus corporate dividend income, corporate net interest income and certain net gains/(losses) on foreign exchange hedge contracts which relate to media operations' distributions earnings ("Proportionate Earnings").

Proportionate Earnings are disclosed for the year and the prior corresponding year ("Actual Results").

Proportionate Earnings information is also disclosed down to Media Operations Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") under a proforma approach. The Proforma EBITDA is derived by restating the prior period results with the media operations' ownership percentages and foreign currency exchange rates from the current period ("Proforma Results"). Proforma Results are produced to allow comparisons of the operational performance of media operations between periods, as it incorporates the impact of changes in ownership interests and foreign currencies in the prior periods.

The principal policies adopted in the preparation of Proportionate Earnings include:

Relevant assets

For an asset to qualify as a relevant media operation for inclusion in Proportionate Earnings, it must be an operation over which SCMG has had control or significant influence during the period and which forms part of the Group's ongoing operations.

Based on the above qualification criteria, this Report includes Proportionate Earnings for the following assets for the year:

- Southern Cross Media – Commercial Free to Air Broadcasting; and
- American Consolidated Media.

Information for each of the assets is sourced from unaudited management accounts prepared in accordance with SCMG's accounting policies as set out in the most recent annual financial report.

Notes to SCMG Management Information Report (continued)

Proportionate Earnings (continued)

Foreign currency exchange

All Proportionate Earnings information contained in this Report is disclosed in Australian dollars unless stated otherwise. Earnings denominated in foreign currencies are translated to Australian dollars at average monthly foreign currency exchange rates.

The average foreign currency exchange rates including those pertaining to the prior corresponding period are set out in the table below:

	USD
6 months to 31 December 2009	**0.8660**
6 months to 31 December 2008	0.7625

SCMG's beneficial ownership interest

The beneficial ownership interest of SCMG in the relevant media operations used in the calculation of Proportionate Earnings for the 6 months to 31 December 2009 as well as the prior corresponding period is set out below:

	Southern Cross Media		Taiwan Broadband Communications	American Consolidated Media
	Commercial Radio Broadcasting	Commercial Television Broadcasting		
	%	%	%	%
30 June 2008	**100.0**	**100.0**	**-**	**100.0**
Movement	-	-	-	-
31 December 2008	**100.0**	**100.0**	**-**	**100.0**
Movement	-	-	-	-
30 June 2009	**100.0**	**100.0**	**-**	**100.0**
Movement	-	-	-	-
31 December 2009	**100.0**	**100.0**	**-**	**100.0**

Media operations revenue

Media operations' revenue is calculated by the aggregation of the product of the beneficial ownership interest and the total revenue of each of the relevant businesses. Revenue is recognised under SCMG's accounting policies as set out in the most recent annual financial report and includes all types of operating revenue for each of the SCMG's operations.

Advertising sales revenue, used in the operational information disclosure for Commercial Radio and Commercial Television Broadcasting operations, excludes contra revenue which is a non-cash item and other non-advertising revenue such as sponsorships, promotions, representation revenue, facility sharing, government grants and rebates and program sharing revenue.

Media operations expenses

Media operations' expenses are calculated by the aggregation of the product of the beneficial ownership interest and the total operating expenses incurred by each of the relevant businesses. Operating expenses are recognised under SCMG's accounting policies as set out in the most recent annual financial report, other than one-off restructuring and termination costs, non-cash share based employee entitlements and non-cash impairment charges which are not included in media operations' expenses.

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Notes to SCMG Management Information Report (continued)

Proportionate Earnings (continued)

Media operations maintenance capital expenditure

Media operations' maintenance capital expenditure is calculated by the aggregation of the product of the beneficial ownership interest and the total maintenance capital expenditure of each of the relevant assets.

Media operations' maintenance capital expenditure is the expenditure on items of a capital nature to support the ongoing operations of the media businesses. This does not include the capital expenditure incurred to provide the capability to deliver products and services either not currently offered by the Group or which are to be offered to a new group of customers as defined by segment or location. It also excludes any substantial investments in technologies or facilities that change the way in which the Group's activities are offered or conducted.

Media operations net interest expense

Media operations' net interest expense is calculated by the aggregation of the product of the beneficial ownership interest and the net interest expense incurred by:

- the operating company of the relevant business; and
- entities interposed between any of the SCMG stapled entities and the media operations companies, which have debt that is not guaranteed by the SCMG stapled entities.

The definition of net interest expense includes all contractual interest expenses, borrowing expenses and interest revenues payable to, or payable by, third parties. Interest and borrowing expenses, or interest revenues, in respect of shareholder loans or similar agreements are excluded from the definition of net interest expense. Also excluded from the definition of net interest expense are fair value adjustments on financial instruments (interest rate swaps) and interest and borrowing costs that are capitalised and/or amortised.

Media operations net tax expense

Tax expense for the purposes of the calculation of net tax expense is that current tax expense that will be required to be paid determined with reference to the local generally accepted accounting principles ("GAAP") applicable to each relevant media operations entity. Net tax expense is made up of the aggregation of the following components:

- the product of the beneficial ownership interest and the net current tax expense of each of the relevant media operations, where the media operating company does not, in conjunction with any entities that are majority owned by one or a combination of the SCMG stapled entities, form part of a consolidated group for tax purposes; and
- the product of the beneficial economic interest in the ultimate holding company in a consolidated group for taxation purposes and the net current tax expense of the relevant consolidated group.

Corporate interest income

Corporate interest income is the aggregation of interest income earned by:

- any of the SCMG stapled entities; and
- any of the entities interposed between any of the SCMG stapled entities and the media operations companies which is not included in media operations' interest income.

The definition of interest income includes all interest revenues received and receivable from third parties except interest revenues in respect of shareholder loans or similar agreements.

Gains/(losses) on foreign exchange hedge contracts

Net gains/(losses) on foreign exchange hedge contracts reflect the realised gains and losses on foreign exchange forward contracts entered into by SCMG to hedge distributions from its media operations.

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Notes to SCMG Management Information Report (continued)

Proportionate Earnings (continued)

Corporate expenses
Corporate expenses reflect the aggregation of:

- all expenses paid by SCMG (excluding divestment costs), including base fees and performance fees (to the extent that either or both are payable in cash and subsequently not reinvested in SCMG securities); and
- SCMG's share of expenses from entities interposed between any of the SCMG stapled entities and the media operator companies not included in media operations' operating expenses.

Corporate expenses exclude non-cash share based employee entitlements.

Corporate net tax expense
Corporate net tax expense is made up of the net current tax expense of any of the SCMG stapled entities and subsidiaries thereof that do not form part of another Tax Consolidated Group for taxation purposes.

Proportionate Earnings per Security
The number of issued securities for the purpose of calculating Proportionate Earnings per Security ("Proportionate EPS") is calculated by the aggregation of each issue of SCMG securities weighted by the number of days each security was on issue during the period.

Unconsolidated Cash Flows

Unconsolidated Cash Flows represent the aggregation of the cash flows attributable to SCMG security holders. This includes the cash flows of each of the SCMG stapled entities and net cash flows received from their subsidiaries, excluding all cash flows of entities which have external debt facilities (which are not guaranteed by the SCMG stapled entities), as these entities are considered to be part of the media operating company groups.

All information in this Report relating to Unconsolidated Cash Flows is disclosed in Australian dollars using foreign currency exchange rates applicable to the relevant transactions included in Unconsolidated Cash Flows.