



**MACQUARIE RADIO NETWORK LIMITED
ANNUAL REPORT 2011**

2GB
873AM

2CH
EASY 1170

1377AM
MTR

CONTENTS

Chairman's Report	3
Corporate Governance Statement	4
Board of Directors	12
Directors' Report including the Remuneration Report	14
Auditor's Independence Declaration	26
Consolidated Statement of Comprehensive Income	27
Consolidated Statement of Financial Position	28
Consolidated Statement of Changes in Equity	29
Consolidated Statement of Cash Flows	30
Notes to the Financial Statements	31
Directors' Declaration	66
Independent Auditor's Report	67
Shareholder Information	69
Corporate Directory	73

CHAIRMAN'S REPORT

Dear Shareholders,

The 2010/2011 financial year has been for us a tale of two cities.

Having recorded an all time earnings record in the prior year, our Sydney operations have once again delivered outstanding results:

- Revenues increased by 20% over prior year to \$58.9 million.
- Market share increased by 3 points to 25.6%.
- EBITDA increased by 47% to \$16.9 million.
- NPAT increased by 63% to \$10.7 million.

This result is testimony both to our brilliant on-air teams - both 2GB and 2CH increased audience share in 2010/2011 - and the professionalism, experience and dedication across all of our sales and support functions.

Our results in Melbourne on the other hand were very disappointing. Whilst we expected an operating loss from the joint venture in MTR, the Melbourne station which commenced broadcasting in April 2010, the \$6.2 million overall EBITDA loss, and MRN share of loss of \$3.1 million, was significantly higher than budget.

I can confirm that whilst we remain committed to the establishment of a strong and sustainable presence in the Melbourne radio market, MTR in its current form will not continue beyond October 2011. We have expressed interest in buying some Fairfax Radio Network stations, including 3AW and Magic in Melbourne, and at time of writing are still involved in the sale process of those stations. We will announce our plans for Melbourne when the process is concluded and after further discussions with our MTR joint venture partner.

Notwithstanding the Melbourne results, our strong Sydney performance meant that consolidated EBITDA, pre-impairment, increased by 25% over prior year to \$13.8 million. The directors' decision to fully write off all loans to the Melbourne joint venture, which totalled \$3.9 million at 30 June 2011, reduced reported EBITDA to \$9.8 million, an 11% decline from prior year.

We are confident that our Sydney operations will again deliver earnings growth in 2011/2012, but expect it will be single digit growth as early signs indicate little or no growth in overall Sydney radio spend. At this stage it is impossible to predict a full year result for Melbourne given the range of possible scenarios. We will provide shareholders and the market with full year guidance when we have finalised our plans for Melbourne.



Russell Tate

CORPORATE GOVERNANCE STATEMENT

The board of Directors (“the Board”) is committed to responsible corporate governance. In accordance with the Australian Securities Exchange Limited Corporate Governance Council’s Corporate Governance Principles and Recommendations (“the Recommendations”), the Board has established a sound framework of corporate governance practices that it considers appropriate for the Company. The Board recognises that it is accountable to shareholders for the performance of the Company and, to that end, is responsible for instituting a system of corporate governance that operates in the best interests of shareholders while also addressing the interests of other key stakeholders.

The Board considers the Company’s corporate governance practices are consistent with the Recommendations. However, the Board recognises that the full adoption of the Recommendations may not be practical or appropriate given the particular circumstances of the Company. Where the Company’s current practices do not comply with the Recommendations, the differences are identified in this Statement.

This Statement describes the Company’s main corporate governance practices in place during 2011.

BOARD OF DIRECTORS

The Board guides and monitors the performance and management of the Company on behalf of the shareholders, by whom it is elected and to whom it is accountable.

Board role and responsibility

The principal responsibilities of the Board include:

- contributing to the development and implementation of corporate strategy;
- monitoring the corporate and financial performance of the Company;
- approving the Company’s financial reporting including annual and half-year reports;
- appointing Board members and the Chief Executive Officer;
- delegating clear responsibility and authority to the committees of the Board, the Chief Executive Officer and management;
- monitoring and reviewing the performance of those who hold delegated powers;
- monitoring and reviewing processes and systems of risk management and internal compliance and control;
- overseeing the Company’s corporate governance framework;
- overseeing the Company’s processes for disclosure and communications; and
- reviewing and authorising major investments.

During the 2011 financial year, the Board delegated responsibility for the day-to-day management and administration of the Company principally to the Chairman of the Company, working with the senior management team.

corporate governance statement continued

Composition of the Board

The Company seeks to have a Board comprising Directors with relevant knowledge, experience and expertise to deal with the current and emerging issues of the business, to review and challenge the performance of management, and to exercise independent judgment.

The Board currently comprises four Directors, including the Chairman.

Details of the background and particular expertise of each Director is set out on page 12.

The Recommendations recommend that a majority of the Board be independent. In summary, a Director is considered to be independent if he/she is not a member of management and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with a substantial shareholder;
- is not, and has not in the last three years been, a principal of a material professional adviser or a material consultant to the Company;
- is not associated with a material supplier or customer of the Company;
- has no material contractual relationship with the Company;
- does not have any interest or business 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; and
- has not served on the Board for a period which could materially interfere with the Director's ability to act in the best interests of the Company.

Materiality for these purposes is assessed on a case-by-case basis having regard to the Company and the relevant Director's circumstances, including the significance of the relationship to the Director in the context of their activities as a whole.

Having regard to these criteria, there is one Non-executive Director who is independent (Maureen Plavsic). Two Non-executive Directors (Mark Carnegie and Max Donnelly) and one Executive Director (Chairman Russell Tate) are non-independent.

The Recommendations also recommend that the Chairman be an independent Director. The Chairman, Russell Tate, is not considered by the Board to be independent.

Notwithstanding the Recommendations, the existing Board structure is considered appropriate for the Company at its current size and stage of growth.

corporate governance statement continued

Nomination and appointment of new Directors

It is the responsibility of the Nomination and Remuneration Committee to formulate procedures and policies for the selection, appointment and remuneration of new Directors and the Chief Executive Officer. The Committee is also responsible for reviewing the performance of the Board, its committees and individual Directors.

Where the Board determines there is a need to appoint a Director, whether due to the retirement of a Director, growth of the Company, or changed circumstances of the Company, the Nomination and Remuneration Committee has responsibility for proposing candidates for consideration by the Board. Where appropriate, the services of external consultants may be engaged.

Retirement and re-election of Directors

In accordance with the Company's Constitution, one third of the Board (other than the Managing Director or Chief Executive Officer) must stand for re-election on a rotational basis at each Annual General Meeting. All retiring Directors are eligible for re-election.

The Company does not have a policy in relation to the retirement or tenure of Directors. The Board believes that maintaining flexibility in relation to the appropriate term for each Director allows it to attract and retain Directors of the highest standard with the most appropriate skills and experience.

The Board does not consider that any existing Director has served on the Board for a period which could materially interfere with their ability to act in the best interests of the Company.

Independence of Directors

Directors have an overriding responsibility to perform their duties in the best interests of the Company. Directors are required to disclose, on an ongoing basis, any interest that could potentially conflict with those of the Company.

In accordance with the Corporations Act 2001, any Director with a material personal interest in a matter being considered by the Board must declare the possible conflict of interest. They must not be present when the matter is being considered and may not vote on the matter.

Operation of the Board

The Board and its committees meet regularly to review strategies and operational performance. The Chairman and senior management communicate regularly to discuss issues relating to the business and to set Board agendas. In addition, Directors receive regular updates from management on key issues between Board meetings.

corporate governance statement continued

Board access to information and independent advice

Directors have unrestricted access to Company records and information, and receive regular detailed financial and operational reports from management.

Individual Directors and Board committees may seek independent professional advice at the Company's expense in order to assist them in carrying out their duties. The process for obtaining such advice requires the Director to notify the Chairman in advance. The Chairman will be provided with a copy of the final advice which may, if appropriate, be circulated to the other Directors.

BOARD COMMITTEES

To assist in the effective execution of its responsibilities, the Board has established the following committees:

- Audit Committee; and
- Nomination and Remuneration Committee.

The general role of the Board committees is to review and analyse policies and strategies that are within their respective areas of responsibility. The Board committees may not take action or make decisions on behalf of the Board unless specifically mandated by prior Board authority to do so. The role of each committee is described in more detail below.

Audit Committee

It is the Board's responsibility to ensure that an effective internal control framework exists within the Company. The Audit Committee currently comprises the following Directors:

Max Donnelly	Committee Chairman
Russell Tate	Executive Director

The role of the Audit Committee is to monitor and review the effectiveness of the Company's controls in the areas of operational and statement of financial position risk, legal and regulatory compliance, and financial reporting. The Audit Committee discharges these responsibilities by:

- overseeing the existence and maintenance of internal controls and accounting systems;
- overseeing the management of risk within the Company;
- overseeing the financial reporting processes to ensure compliance with statutory requirements and accounting standards;
- reviewing the annual and half year financial reports and recommending them for approval by the Board;
- reviewing and making recommendations to the Board regarding the appointment or dismissal of external auditors;
- reviewing the performance of the external auditors and existing audit arrangements;

corporate governance statement continued

- overseeing the processes used by management to ensure compliance with laws, regulations and other statutory or professional requirements;
- reviewing, annually, the requirement for an internal audit function; and
- providing written advice to the Board, endorsed by a resolution of the Committee, that the Committee is satisfied that the provision of non-audit services by the auditor during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Audit Committee is required to meet at least twice a year. Additional meetings may be held as the work of the Committee demands. Members of management and the external auditors attend meetings of the Audit Committee by invitation. The Committee assesses annually the performance of the auditor, as well as the relationships between the external auditor and the Company, to ensure independence is maintained.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee currently comprises the following Directors:

Maureen Plavsic	Committee Chairman, Non-executive Director
Russell Tate	Executive Director
Mark Carnegie	Non-executive Director

The Nomination and Remuneration Committee is responsible for matters relating to succession planning, recruitment and the appointment and remuneration of the Directors and the Chief Executive Officer. It is also responsible for overseeing succession planning, selection and appointment practices and remuneration packages for senior management and employees of the Company. The objectives of the Committee include:

- reviewing, assessing and making recommendations to the Board on the desirable competencies of the Board;
- assessing the performance of the members of the Board;
- overseeing the selection and appointment practices for Non-executive Directors and senior management of the Company;
- developing succession plans for the Board and overseeing the development of succession planning in relation to senior management; and
- assisting the Board in determining appropriate remuneration policies.

The Committee is required to meet at least twice a year. Additional meetings may be held as the work of the Committee demands. Senior management may be invited to the Committee meetings to provide input on management performance and salary packages.

corporate governance statement continued

CORPORATE CONDUCT AND RESPONSIBILITY

The Company seeks to maintain a high standard of ethical behaviour to ensure that its business is conducted with integrity, honesty and fairness at all times.

Continuous disclosure and shareholder communication

The Company is committed to providing timely, open and accurate information to shareholders and the market in general.

The Board is committed to keeping shareholders fully informed of all major developments affecting the Company by:

- preparing detailed half-yearly and annual financial reports, and making these available to all shareholders;
- informing shareholders of the key issues affecting the Company; and
- holding an Annual General Meeting which enables shareholders to ask questions of the Board.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. The Company's management and auditors attend the Annual General Meeting to answer questions of shareholders as required.

The Company has developed a corporate website to enable broader access to Company information by shareholders and stakeholders. Amongst other things, the website will contain all relevant announcements made to the market, and related information (e.g. information provided to analysts or media during briefings) after they have been released to the ASX.

Share trading policy

In addition to the provisions of the Corporations Act 2001 which apply to all employees, the Company has developed specific written guidelines that prohibit Directors and employees (collectively referred to as "Designated Officers") from acquiring, selling or otherwise trading in the Company's shares while in possession of information about the Company that is not in the public domain and is price sensitive. Price sensitive information is information that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

Under the guidelines, Designated Officers must not deal in the Company's securities at any time if they are in possession of unpublished price sensitive information in relation to those securities.

Designated Officers may only deal in the Company's securities in the following circumstances:

- from not less than one full trading day after, to a maximum of 30 days after, the Company's half-year results announcement, full year results announcement and the Company's Annual General Meeting;
- where the securities are offered under the Company's dividend reinvestment plan or an approved executive or employee share plan;

corporate governance statement continued

- to take up entitlements under a rights issue or other offer;
- for the purposes of participating in any share buy-back;
- undertakings to accept, or the acceptance of, a takeover offer; or
- where otherwise required by law or the order of any court or regulatory authority.

Designated Officers may deal in the Company's securities outside the designated trading windows specified above where neither the Designated Officers nor the Company are in possession of unpublished price sensitive information in relation to those securities, and the Designated Officer obtains the approval of:

- the Chairman (where the Designated Officer is a Director or an employee); or
- the Company Secretary (where the Designated Officer is the Chairman).

Any Designated Officer who deals in the Company's securities must notify the Company Secretary (or in the case of dealings by the Company Secretary, the Chairman) once the dealing has occurred. The obligation to notify will not apply to dealings under the dividend reinvestment plan or an approved executive or employee share plan.

Prohibitions on dealing in securities apply not only to the acquisition and disposal of shares, but also to acquiring, taking, assigning and releasing of options traded in the options market.

RISK MANAGEMENT

The Board has in place a number of arrangements and internal controls intended to identify, assess, monitor and manage areas of significant business risk. These include the maintenance of:

- Board committees;
- appropriate policies and procedures that are widely disseminated to, and understood by, employees;
- detailed and regular budgetary, financial and management reporting;
- clearly defined management responsibilities, organisational structures, and strong management reporting systems;
- external audit functions; and
- comprehensive insurance programs.

Management is ultimately responsible to the Board for the Company's system of internal control and risk management. The Audit Committee assists the Board in monitoring this function.

corporate governance statement continued

REMUNERATION POLICIES AND PROCEDURES

Objectives and policies

The Company has established processes to ensure that the level and composition of remuneration are sufficient, reasonable, and explicitly linked to performance. The objectives of the Company's remuneration policies are to attract, motivate and retain appropriately qualified and experienced executives and other employees capable of discharging their respective responsibilities to enable the Company to achieve its business strategy.

Remuneration structure

The Nomination and Remuneration Committee is primarily responsible for the review and making of recommendations in relation to issues that impact executive remuneration and development, including remuneration packages and other terms of employment for Directors.

Non-executive Directors

The Nomination and Remuneration Committee is responsible for recommending to the Board fees applicable to Non-executive Directors. Directors are remunerated at market rates for their services to the Company. Non-executive Directors are paid a fixed annual fee for their services.

Executive Directors and Management

The Nomination and Remuneration Committee is responsible for recommending to the Board remuneration policies, fees, salaries, short-term and long-term incentives applicable to Executive Directors and senior management of the Company.

The remuneration policies are designed to drive a performance culture, and to ensure that the way in which employees are recognised and rewarded through remuneration is in the best interests of the shareholders, the Company and the individual. The remuneration policies achieve this by:

- providing remuneration that is market competitive to ensure the Company has the ability to retain and motivate strong performing employees and attract high calibre employees;
- implementing an incentive scheme to ensure the most senior executive remuneration is linked to both individual performance and Company performance; and
- undertaking an annual evaluation process on the performance of all executives, the results of which contribute to the determination of any salary adjustment an individual executive may receive.

Incentive plans

Full details of the benefits and remuneration for Executive and Non-executive Directors are set out in the Remuneration Report.

BOARD OF DIRECTORS

Russell Tate *Executive Chairman*

Russell has over 25 years experience in the advertising industry. Most recently, he served as Chief Executive Officer of STW Communications Group Limited between 2001 and 2005 and was appointed Executive Chairman of that company in January 2006. Russell remained in that role until June 2008 when he stepped down to Non-executive Deputy Chairman. In addition to that continuing role, Russell is also the Chairman of Pleasure State Pty Limited and Central Coast Stadium Pty Limited.

Russell holds a Bachelor of Commerce (Econ.) from the University of New South Wales.

Max Donnelly *Non-executive Director*

Max is currently Chairman of the Audit Committee. Max is a partner of Ferrier Hodgson, one of Australia's leading turnaround, insolvency and reconstruction management groups. Max has been involved in insolvency, turnaround consulting and litigation support for over 30 years.

Max is a Chartered Accountant and holds a Bachelor of Commerce from the University of New South Wales.

Mark Carnegie *Non-executive Director*

Mark has had nearly 25 years experience as an investor and corporate adviser in New York, London and Sydney. He was a principal of Carnegie, Wylie & Company before the acquisition of that business by Lazard Limited. Mark is currently the Chief Executive Officer of Lazard Australia Private Equity, Lazard Limited's Australian private equity business. Mark is also a director of Lazard Limited, and several investee companies.

Mark holds a Masters degree in Jurisprudence from Oxford University and a Bachelor of Science (Hons) from Melbourne University.

Maureen Plavsic *Non-executive Director*

Maureen joined Macquarie Radio Network Limited as a Director in April 2005 bringing with her considerable and broad experience in the media industry. She is currently Chair of the Nomination and Remuneration Committee for MRN. Maureen has over 25 years experience in marketing and media, including 14 years in various executive roles at the Seven Network, where she was also a Board member for five years. Her roles at the Seven Network included Chief Executive Officer of Broadcast Television and prior to that Director of Sales and Corporate Marketing. During the past five years, Maureen has been a non-executive director of Pacific Brands Group*, a Trustee of the National Gallery of Victoria and a Director of Bestest*, a not for profit organisation that raises money for distribution to various children's charities.

board of directors continued

Company Secretary

The Board is supported by Robert Loewenthal who was appointed Chief Financial Officer of the Macquarie Radio Network in October 2006. On 18 February 2010 he was appointed Company Secretary and more recently Chief Operating Officer. Before joining MRN, Robert was the Financial Controller of VIVAS Health Ireland. Before joining VIVAS Health Robert worked for KPMG in Sydney. Robert is a Chartered Accountant and holds a Bachelor of Commerce degree from Sydney University.

* denotes current Directorship

DIRECTORS' REPORT

Your Directors submit their report on the consolidated entity (referred to hereinafter as the 'Group' or the 'consolidated entity') consisting of Macquarie Radio Network Limited (the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2011.

DIRECTORS

The following persons were directors of Macquarie Radio Network Limited during the financial year and up to the date of this report:

Russell Tate

Mark Carnegie

Maureen Plavsic

Max Donnelly

Principal activities

The consolidated entity operates in radio and associated media activities in a sole geographical location being Australia.

No significant change in the nature of these activities occurred during the year.

Consolidated results and review of operations

The net profit of the Group for the financial year ended 30 June 2011 after income tax was \$5.91million.

The Chairman's Report deals further with the operations and the results of the Group for the financial year ended 30 June 2011. The Directors have adopted this section of the Annual Report as part of the Directors' Report.

Matters subsequent to the end of the financial year

No matters or circumstances have arisen since the end of the financial year which have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of these operations, or the state of affairs of the consolidated entity in future financial years, save as below:

Fairfax Radio Network

On Tuesday 17 May 2011, Fairfax Media Limited announced its intention to commence a formal process for the sale of its radio assets. Macquarie Radio Network has been provided with details of the sale process and has submitted an expression of interest in purchasing the radio assets.

directors' report continued

Smart Radio Network

On Tuesday 5 July 2011, Macquarie Radio Network Limited concluded a Heads of Agreement that contemplated the acquisition of eight commercial radio broadcasting stations from the Smart Radio Network in Queensland. The Heads of Agreement was subject to satisfaction of customary conditions including securing finance, Board approval and the conclusion of a long form agreement. On Thursday 1 September 2011, the acquisition of the Radio licences and assets of the former Smart Radio Network was successfully completed for total cash consideration of \$6 million. The initial accounting for the business combination is incomplete at the time the financial statements have been finalised and accordingly not all AASB 3 Business Combinations disclosures are possible at this time.

Significant changes in state of affairs

No significant changes in the state of affairs of the consolidated entity occurred during the financial year.

Likely developments and expected results of operations

No information is included on the likely developments in the operations of the consolidated entity and the expected results of those operations as the Directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the consolidated entity.

Share options

At the date of this report, there are 4,000,000 unissued shares for which options are outstanding. These options were issued in December 2008 and are held by Hadiac Pty Limited, a company associated with radio presenter Alan Jones.

Meetings of directors

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors during the financial year were as follows:

	Directors' Meetings		Audit Committee		Nomination and Remuneration Committee	
	A	B	A	B	A	B
Directors						
Russell Tate	5	5	2	2	3	3
Mark Carnegie	2	5	-	-	-	-
Maureen Plavsic	5	5	-	-	3	3
Max Donnelly	5	5	2	2	-	-

Notes:

A = number of meetings attended.

B = number of meetings held during the time the Director held office during the year or was a member of the committee during the year.

Each Director is invited to attend the sub-committee meetings of the Board.

directors' report continued

REMUNERATION REPORT

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and executives for the Company and the Group including the five most highly remunerated S300A executives.

The key management personnel of the Group are the directors of Macquarie Radio Network Limited (see page 12 above) and the following executive officers, which are also the 4 highest paid executives of the Company and the Group (there were no others):

- Mark Noakes – Sales Director
- Robert Loewenthal – Chief Financial Officer/Chief Operating Officer
- Ian Holland – Group Program Director
- Stuart Thomas – Director of Legal and Regulatory Affairs (resigned 31 March 2011)

REMUNERATION POLICY

Objectives and policies

The Company has established processes to ensure that the level and composition of remuneration are sufficient, reasonable, and explicitly linked to performance. The objectives of the Company's remuneration policies are to attract, motivate and retain appropriately qualified and experienced executives and other employees capable of discharging their respective responsibilities to enable the Company to achieve its business strategy.

Remuneration structure

The Nomination and Remuneration Committee is primarily responsible for the review and making of recommendations in relation to issues that impact executive remuneration and development, including remuneration packages and other terms of employment for Directors.

Non-executive Directors

The Nomination and Remuneration Committee is responsible for recommending to the Board fees applicable to Non-executive Directors. Directors are remunerated at market rates for their services to the Company. Non-executive Directors are paid a fixed annual fee for their services.

Executive Directors and Management

The Nomination and Remuneration Committee is responsible for recommending to the Board remuneration policies, fees, salaries, short-term and long-term incentives applicable to Executive Directors and management of the Company.

The remuneration policies are designed to drive a performance culture, and to ensure that the way in which employees are recognised and rewarded through remuneration is in the best interests of the shareholders, the Company and the individual. The remuneration policies achieve this by:

- providing remuneration that is market competitive to ensure the Company has the ability to retain and motivate strong performing employees and attract high calibre employees;
- implementing an incentive scheme to ensure the most senior executive remuneration is linked to both individual performance and Company performance; and
- undertaking an annual evaluation process on the performance of all executives, the results of which contribute to the determination of any salary adjustment an individual executive may receive.

Compensation levels for key management personnel of the Company are competitively set to attract and retain appropriately qualified and experienced directors and executives.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel
- the key management personnel's ability to control the relevant segments' performance
- the Group's earnings performance

Compensation packages include a mix of fixed and variable compensation and short and long-term performance-based incentives. In addition to their salaries, the Group also makes statutory contributions to a post-employment superannuation plan on behalf of the key management personnel.

The company does not currently have a retirement benefit scheme for the key management personnel; other than the statutory superannuation benefits which are included as part of the compensation as disclosed in this report. Performance linked compensation includes short-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives.

Fixed compensation

Fixed compensation consists of base compensation which includes statutory employer contributions to superannuation funds.

directors' report continued

Long-term incentive bonus

The company has loaned \$1,500,000 to the Executive Chairman, Mr Russell Tate, to subscribe for 3,000,000 fully paid shares in the capital of the company on interest free, unsecured and limited recourse terms. These shares were issued to Mr Tate on 7 December 2010, in accordance with a resolution of the shareholders at the Annual General Meeting held on 18 November 2010. The shares are subject to escrow arrangements that permit the shares to be released from escrow on 30 June 2012. Proceeds from any sale of the shares after that date must be applied to repay the loan made by the company. The employment agreement provides for the company to buy back and cancel some or all of the shares in circumstances where the agreement is terminated or expires without the principal amount having been repaid in full. These shares have been accounted for as "in-substance options" in accordance with AASB 2 Share-based Payment and the shares issued are shown as a deduction from issued share capital described as "Treasury shares deemed not issued". The fair value of the in-substance options was calculated using the Black Scholes method giving a total fair value of \$1,686,000.

Short-term incentive bonus

The bonus is dependent on the satisfaction of the performance condition – audited net profit excluding abnormal items compared to budgeted amounts as approved by the board for the year. This condition was chosen as the board believe it aligns the objectives of management with the creation of shareholder value.

The cash incentive payable at the end of the financial year to key management personnel has been approved by the remuneration committee and paid. The short-term incentive (STI) is an 'at risk' bonus provided in the form of cash.

Incentive structure

The remuneration committee considers that the above performance-linked compensation structure is generating the desired outcome.

Non-executive directors

The Board seeks to set remuneration of 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 remuneration of Non-executive Directors is determined within an aggregate Non-executive Directors' remuneration pool limit. The maximum currently stands at \$200,000 per annum. The remuneration of Non-executive Directors does not incorporate any bonus or incentive element.

The Company does not currently have a retirement benefit scheme for Non-executive Directors, other than their individual statutory superannuation benefits which are included as part of their total Non-executive Directors' fee compensation.

directors' report continued

In addition, all Non-executive Directors are encouraged by the Board to hold shares in the Company. It is considered good governance for Directors to have a stake in the Company on whose Board they sit. Further details of Non-executive Directors' remuneration and shareholdings for the financial year ended 30 June 2011 are detailed in Note 28 to the financial statements.

Details of the nature and amount of each major element of remuneration of each director of the Company and each of the four named Company executives and relevant Group executives who receive the highest remuneration and other key management personnel are set out on the following three pages.

Relationship between the remuneration policy and company performance

The remuneration of executive directors and key management personnel contains an annual bonus. This total cash bonus is linked to the annual profit levels excluding abnormal items of the company.

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2011:

	30 June 2011	30 June 2010	30 June 2009	30 June 2008	30 June 2007
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	58,981	49,212	44,984	44,724	43,174
Net profit before tax	8,565	9,132	440	6,418	7,730
Net profit after tax	5,913	6,167	222	4,415	5,379
Share price at start of year (\$)	0.75	0.30	0.50	1.26	0.91
Share price at end of year (\$)	1.25	0.75	0.30	0.50	1.26
Interim dividend (\$'000)	3,884	2,987	-	1,309	2,353
Final dividend (\$'000)	1,554	2,987	-	1,309	3,296
Share buy backs (\$'000)	-	-	-	6,010	-
Basic earnings per share (cents)	7.72	8.26	0	4.8	5.7
Diluted earnings per share (cents)	7.17	7.84	0	4.8	5.7

directors' report continued

		Short-term				Post-employment	Other long term			Share-based payments		
		Salary & fees \$	STI cash bonus \$	Non-monetary benefits \$	Total	Superannuation benefits \$	\$	Termination benefits \$	Options and rights \$	Total \$	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Directors Non-executive directors												
Max Donnelly	2011	50,000	-	-	50,000	4,500	-	-	-	54,500	-	-
	2010	50,000	-	-	50,000	4,500	-	-	-	54,500	-	-
Mark Carnegie	2011	-	-	-	-	-	-	-	-	-	-	-
	2010	-	-	-	-	-	-	-	-	-	-	-
Maureen Plavsic	2011	50,000	-	-	50,000	4,500	-	-	-	54,500	-	-
	2010	50,000	-	-	50,000	4,500	-	-	-	54,500	-	-
Executive directors												
Russell Tate (Chairman)	2011	1,196,000	-	-	1,196,000	6,480	-	-	464,890	1,667,370	-	27.88%
	2010	600,000	-	-	600,000	6,480	-	-	-	606,480	-	-
Angela Clark, CEO (contract ended by agreement February 2009)	2011	-	-	-	-	-	-	-	-	-	-	-
	2010	72,000	-	-	72,000	-	-	-	-	72,000	-	-

directors' report continued

		Short-term			Total	Post-employment	Other long term	Termination benefits \$	Share-based payments	Total \$	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
		Salary & fees \$	STI cash bonus \$	Non-monetary benefits \$		Superannuation benefits \$	\$		Options and rights \$			
Executives												
Robert Loewenthal, CFO/COO	2011	288,543	96,000	-	384,543	15,199	-	-	-	399,742	24.02%	-
	2010	241,972	91,000	-	332,972	13,745	-	-	-	346,717	26.24%	-
Mark Noakes, Sales Director	2011	326,770	200,000	-	526,770	15,199	-	-	-	541,969	36.90%	-
	2010	309,103	200,000	-	509,103	13,745	-	-	-	522,848	38.25%	-
Ian Holland, Group Programme Director	2011	236,662	91,000	-	327,662	15,199	-	-	-	342,861	26.54%	-
	2010	244,329	121,000	-	365,329	13,745	-	-	-	379,074	31.92%	-
Stuart Thomas, Director of Legal and Regulatory Affairs (resigned 31 March 2011)	2011	247,849	-	-	247,849	10,309	-	-	-	258,158	-	-
	2010	348,501	100,000	-	448,501	13,745	-	-	-	462,246	21.63%	-
Total compensation: key management personnel (group)	2011	2,395,824	387,000	-	2,782,824	71,386	-	-	464,890	3,319,100	-	-
	2010	1,915,905	512,000	-	2,427,905	70,460	-	-	-	2,498,365	-	-

directors' report continued

Service Agreements and Bonus Schemes

Notes in relation to the table of directors' and executive officers remuneration:

The following directors and key management personnel have service agreements with Macquarie Radio Network Limited:

Mark Noakes (*Sales Director*)

- Term of agreement: Commenced 1 July 2009 for a 3 year period.
- Base salary is \$300,000 p.a.
- A bonus is payable based on the achievement of pre-determined revenue targets and also on the achievement of financial criteria set out in his contract.
- In the event that employment ceased on termination of the agreement no further amounts would be payable by the company.

Ian Holland (*Group Program Director*)

- Term of agreement: Commenced 1 August 2009 for a 3 year period.
- Base salary is \$250,000 p.a.
- A bonus is payable based on the achievement of financial criteria set out in his contract.
- In the event that employment ceased on termination of the agreement no further amounts would be payable by the company.

Robert Loewenthal (*Chief Financial and Operations Officer*)

- Base salary is \$275,000 p.a.
- A bonus is payable based on the achievement of pre-determined financial criteria agreed upon by the remuneration committee. The bonus is payable annually at the discretion of the remuneration committee.
- The agreement may be terminated with 3 months written notice by either party.
- In the event that employment ceased on termination of the agreement no further amounts would be payable by the company.

Stuart Thomas (*Head of Legal and Regulatory Affairs*)

- Base salary is \$350,000 p.a.
- A bonus is payable based on the achievement of pre-determined financial criteria agreed upon by the remuneration committee. The bonus is payable annually at the discretion of the remuneration committee.
- The agreement may be terminated with 4 weeks written notice by either party.

directors' report continued

- In the event that employment ceased on termination of the agreement no further amounts would be payable by the company.
- Employment ceased on 31 March 2011.

The short-term incentive bonus is for performance during the 30 June 2011 financial year using the criteria set out on page 18.

Details of performance related compensation

Details of the Group's policy in relation to the proportion of remuneration that is performance related is discussed on page 16 to 19.

Analysis of bonuses included in remuneration

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each of the Company executives and relevant Group executives are detailed below.

Short term incentive bonus			
	Included in remuneration \$ (a)	% vested in year	% forfeited in year (b)
Executives			
Robert Loewenthal	96,000	100	-
Mark Noakes	200,000	100	-
Ian Holland	91,000	100	-

Analysis of bonuses included in remuneration

- (a) Amounts included in remuneration for the financial year represents the amount that vested in the financial year based on achievement of budget operating profit excluding abnormal items and achievement of revenue targets. No amounts vest in future financial years in respect of the bonus schemes for the 2011 financial year.
- (b) The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.

Directors' relevant interests in the shares of the Company

The Directors' interests in shares in the Company are shown in Note 28 to the financial statements.

There have been no changes to the Directors' interests between balance date and the date of this report.

directors' report continued

Non-audit services

The Company has employed the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor for audit services provided during the year are set out in Note 29 to the financial statements.

In accordance with the advice received from the Audit Committee, the Directors are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Section 290 of APES 110 – Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Environmental issues

The consolidated entity's operations are not regulated by any significant law of the Commonwealth or a State or Territory relating to the environment.

Dividends

Dividends paid to members during the financial year were as follows:

Final ordinary franked dividend for the year ended 30 June 2010 of 4 cents per fully paid ordinary share	\$2,987,000
Interim franked dividend for the half year ended 31 December 2011 of 5 cents per fully paid ordinary share	\$3,884,000
Since the end of the financial year a final ordinary franked dividend for the year ended 30 June 2011 of 2 cents per fully paid ordinary share has been declared	\$1,554,000

directors' report continued

Indemnification of directors and officers

The Company's Constitution permits the Company to indemnify each officer of the Company against any liabilities (to the extent permitted by law) 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 its officers. It is the Company's policy to indemnify its officers against any claims or from any expenses or costs they incur in carrying out their role, to the extent permitted by law.

The Company has also entered into Deeds of Access and Indemnity with each of the Directors, the Company Secretary and Chief Operating Officer. Under the Deeds of Access and Indemnity, the Company has agreed to indemnify these officers against any claim or for any expenses or costs which may arise as a result of work performed in their capacity as officers, to the extent permitted by law. There is no monetary limit to the extent of this indemnity.

During the financial year, the Company paid a premium for an insurance policy for the benefit of its officers. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 26.

Rounding of amounts to the nearest thousand dollars

The Company is an entity to which Class Order 98/100 issued by the Australian Securities and Investments Commission applies and, accordingly, amounts in the Financial Statements and the Directors' Report have been rounded off to the nearest thousand dollars in accordance with this class order.

This report is made in accordance with a resolution of Directors.



Russell Tate
Chairman

Dated this 23rd day of September 2011



Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

The Board of Directors
Macquarie Radio Network Limited
Level 1, Building C
33-35 Saunders Street
PYRMONT NSW 2009

23 September 2011

Dear Board Members

Macquarie Radio Network Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Macquarie Radio Network Limited.

As lead audit partner for the audit of the financial statements of Macquarie Radio Network Limited for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully,

DELOITTE TOUCHE TOHMATSU

Michael Kulic
Partner
Chartered Accountants
Sydney

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Revenue	5	58,981	49,212
Employee benefits		(26,405)	(24,636)
Depreciation and amortisation	6	(1,110)	(1,180)
Legal, professional and consulting		(1,654)	(1,178)
Rent	6	(1,298)	(1,279)
Royalties, licences and commissions		(4,856)	(4,055)
Programming content		(1,464)	(1,216)
Utilities and telephone		(1,132)	(863)
Marketing and promotions		(915)	(228)
Insurances		(451)	(452)
Share of net loss of jointly controlled entity	17	(3,101)	(405)
Impairment of loans	6	(3,945)	-
Other		(3,274)	(3,761)
Finance costs	6	(811)	(827)
Profit before tax		8,565	9,132
Income tax expense	7	(2,652)	(2,965)
Profit for the year	26	5,913	6,167
Other comprehensive income			
(Loss)/gain on available-for-sale financial assets		(33)	42
Deferred tax in relation to revaluation of available-for-sale financial assets		10	(13)
Other comprehensive (loss)/income for the year		(23)	29
Total comprehensive income for the year		5,890	6,196
Earnings per share for profit attributable to the ordinary equity holders of the company			
Basic earnings per share (cents per share)	24	7.72	8.26
Diluted earnings per share (cents per share)	24	7.17	7.84

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2011

	Notes	2011 \$'000	2010 \$'000
CURRENT ASSETS			
Cash and cash equivalents	8	1,370	2,416
Trade and other receivables	9	11,871	11,616
Other assets	10	263	-
TOTAL CURRENT ASSETS		13,504	14,032
NON-CURRENT ASSETS			
Other receivables	11	1,033	-
Investment in jointly controlled entity	17	1,331	2,004
Available-for-sale financial assets	12	64	97
Property, plant and equipment	14	3,529	3,373
Deferred tax assets	15	3,276	1,320
Radio licences	16	15,203	15,203
Other assets	10	528	-
Intangible assets	16	147	340
TOTAL NON-CURRENT ASSETS		25,111	22,337
TOTAL ASSETS		38,615	36,369
CURRENT LIABILITIES			
Trade and other payables	18	6,349	6,757
Current tax liabilities	19	3,664	1,491
Provisions	20	1,811	1,698
TOTAL CURRENT LIABILITIES		11,824	9,946
NON-CURRENT LIABILITIES			
Borrowings	21	9,900	9,000
Provisions	22	365	405
TOTAL NON-CURRENT LIABILITIES		10,265	9,405
TOTAL LIABILITIES		22,089	19,351
NET ASSETS		16,526	17,018
EQUITY			
Issued capital	23	4,827	4,827
Reserves	25	(7,066)	(7,532)
Retained earnings	26	18,765	19,723
TOTAL EQUITY		16,526	17,018

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2011

	Note	Fully Paid Ordinary Share Capital \$'000	Options Reserve \$'000	Share buy-back Reserve \$'000	Available- for-sale Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2009		4,827	(1,580)	(6,010)		16,543	13,780
Profit for the year		-	-	-	-	6,167	6,167
Other comprehensive income for the year		-	-	-	29	-	29
Total comprehensive income for the year		-	-	-	29	6,167	6,196
Recognition of share-based payments	25	-	29	-	-	-	29
Payment of dividends	27	-	-	-	-	(2,987)	(2,987)
Balance at 30 June 2010		4,827	(1,551)	(6,010)	29	19,723	17,018
Balance at 1 July 2010		4,827	(1,551)	(6,010)	29	19,723	17,018
Profit for the year		-	-	-	-	5,913	5,913
Other comprehensive loss for the year		-	-	-	(23)	-	(23)
Total comprehensive income for the year		-	-	-	(23)	5,913	5,890
Recognition of share-based payments	25	-	489	-	-	-	489
Payment of dividends	27	-	-	-	-	(6,871)	(6,871)
Balance at 30 June 2011		4,827	(1,062)	(6,010)	6	18,765	16,526

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		64,770	50,872
Payments to suppliers and customers		(48,358)	(39,598)
Interest received		656	100
Finance costs		(811)	(827)
Income taxes paid		(2,420)	(180)
Net cash from operating activities	32(b)	13,837	10,367
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(1,073)	(232)
Loans to jointly controlled entity		(6,373)	(2,409)
Loans advanced to employees		(1,847)	-
Repayments of loans to employees		381	-
Net cash used in investing activities		(8,912)	(2,641)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		6,400	-
Repayment of borrowings		(5,500)	(4,500)
Dividends paid		(6,871)	(2,987)
Net cash used in financing activities		(5,971)	(7,487)
Net (decrease)/ increase in cash held		(1,046)	239
Cash at beginning of year		2,416	2,177
Cash at the end of the year	32(a)	1,370	2,416

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

Macquarie Radio Network Limited (the company) is a listed public company, incorporated in Australia and operating in Australia.

Macquarie Radio Network Limited's registered office and its principal place of business are as follows:

Registered office	Principal place of business
Level 1, Building C 33-35 Saunders Street Pyrmont, NSW 2009	Level 1, Building C 33-35 Saunders Street Pyrmont, NSW 2009

NOTE 2 ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

a) Standards and Interpretations affecting amounts reported in the current period

There are no new and revised Standards and Interpretation adopted in these financial statements affecting the reporting results or financial position.

b) Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

- AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'
- AASB 2009-8 'Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions'
- AASB 2009-10 'Amendments to Australian Accounting Standards – Classification of Rights Issues'
- AASB 2010-3 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'
- AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'
- Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments'

NOTES TO THE FINANCIAL STATEMENTS

c) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
▪ AASB 9 Financial Instruments, AASB 2009-11 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	30 June 2014
▪ AASB 124 Related Party Disclosures (2009), AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
▪ AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	1 January 2011	30 June 2012
▪ AASB 2010-5 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
▪ AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	1 July 2011	30 June 2012
▪ AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets	1 January 2012	30 June 2013
▪ AASB 1054 Australian Additional Disclosures	1 July 2011	30 June 2012
▪ AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project	1 July 2011	30 June 2012
▪ AASB 2011-5 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation	1 July 2011	30 June 2012
▪ AASB 10 Consolidated Financial Statements	1 January 2013	30 June 2014
▪ AASB 11 Joint Arrangements	1 January 2013	30 June 2014
▪ AASB 12 Disclosure of Involvement with Other Entities	1 January 2013	30 June 2014
▪ AASB 13 Fair Value Measurement	1 January 2013	30 June 2014
▪ AASB 119 Employee Benefits	1 January 2013	30 June 2014
▪ AASB 127 Separate Financial Statements (2011)	1 January 2013	30 June 2014
▪ AASB 128 Investments in Associates and Joint Ventures	1 January 2013	30 June 2014
▪ AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards	1 January 2013	30 June 2014

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial report complies with International Financial Reporting Standards ('IFRS').

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of the acquisition and up to the effective date of disposal as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenditure are eliminated in full on consolidation.

b) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

c) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given and liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised at their fair value less costs to sell. Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the fair value of the acquiree's net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit and loss.

d) Investments in jointly controlled entity

A jointly controlled entity is an entity over which the Group and other parties have joint control.

The results and assets and liabilities of jointly controlled entities are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entity, less any impairment in the value of individual investments. Losses of a jointly controlled entity in excess of the Group's interest in that entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant jointly controlled entity.

e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position

f) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of estimated future cash outflows to be made by the Group in respect of services provided by the employees up to the reporting date.

g) Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in jointly controlled entities are accounted for under the equity method in the consolidated financial statements.

Other financial assets are classified into the following specified categories: 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) Available-for-sale financial assets

Certain shares held by the Group are classified as being available-for-sale and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive payments is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

(ii) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest income is recognised by applying the effective interest rate.

(iii) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

h) Financial liabilities

(i) Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangements.

(ii) Financial liabilities

Financial liabilities including borrowings are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

i) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs), expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

j) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those 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 it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

k) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(iii) Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

NOTES TO THE FINANCIAL STATEMENTS

l) Plant and equipment

Plant and equipment and leasehold improvements are stated at cost less depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each item of plant and equipment over its expected useful life to the consolidated entity. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is shorter, using the straight line method. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessment for major items. The depreciation rates used are as follows:

Fixed Asset Class	Rates	Basis
Plant and Equipment	10 - 33%	Straight Line
Leased Plant and Equipment	15 - 25%	Straight Line
Leasehold improvements	15 - 25%	Straight Line

Where items of plant and equipment have separately identifiable components which are subject to regular replacement, those components are assigned useful lives distinct from the items of plant and equipment to which they relate.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing sales proceeds with the carrying amount. These are included in profit or loss.

m) Intangible assets

(i) Licences

The radio licences are recognised upon consolidation of the two controlled entities. The licences are carried at cost. The radio licenses have indefinite useful lives and are therefore not amortised. Instead, they are tested annually for impairment as stated in Note 3(j).

(ii) Website development expenditure

Costs incurred in acquiring, developing and implementing new websites are recognised as intangibles only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services and licenses.

Website developments have a finite life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of website development over its estimated useful life, which is 4 years.

n) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

o) Provisions

Provision for legal claims are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item in the same class of obligation may be small. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting period date.

p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

(i) Advertising revenue

Revenue from rendering of a service is recognised in the month that the advertisement is broadcast.

(ii) Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

q) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense or:

For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

r) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS

s) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

t) Earnings per share

(i) Basic Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted Earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

NOTE 4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a) Critical judgements in applying the entity's accounting policies

The following are the critical judgements (apart from those involving estimations, which are dealt with below) that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Impairment of radio licenses
- Impairment of interest in and loans to jointly controlled entity

b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year:

(i) Impairment of radio licenses

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less the cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash flows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each reporting date. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(ii) Impairment of interest in and loans to jointly controlled entity

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less the cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash flows from other assets or groups of assets (cash generating units). Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

NOTES TO THE FINANCIAL STATEMENTS

	2011 \$'000	2010 \$'000
NOTE 5 REVENUE		
Sales revenue		
- advertising revenue	56,448	47,823
- programming and management fees	1,877	1,289
	58,325	49,112
Other revenue		
Other revenue	656	100
	656	100
Revenue	58,981	49,212
NOTE 6 EXPENSES		
Profit before income tax includes the following specific expenses:		
Finance costs paid or payable to:		
- other persons	811	827
Total finance costs	811	827
Depreciation of property, plant and equipment	717	739
Amortisation of non-current assets:		
- leasehold improvements	200	200
- intangible assets	193	241
Total depreciation and amortisation	1,110	1,180
Bad and doubtful debts		
- bad debts written off	176	104
- doubtful debts	24	350
	200	454
Rental expense on operating leases	1,298	1,279
Impairment:		
- Loans to jointly controlled entity	3,945	-
Employee benefits expense:		
Post employment benefits		
- Defined contribution plans	1,037	920
Share-based payments (see note 25)		
- Equity-settled share-based payments	489	29
Other employee benefits	24,879	23,687
Total employee benefits expense	26,405	24,636

NOTES TO THE FINANCIAL STATEMENTS

	Notes	2011 \$'000	2010 \$'000
NOTE 7 INCOME TAX EXPENSE			
a) Income tax expense			
Current tax		4,598	3,227
Deferred tax		(1,946)	(262)
		<u>2,652</u>	<u>2,965</u>
b) Numerical reconciliation of income tax expense to prima facie tax payable			
Accounting profit before income tax		8,565	9,132
Tax at the Australian tax rate of 30% (2010 - 30%)		2,569	2,739
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
- Entertainment		57	89
- Equity accounted loss		-	122
- Other		146	15
- Adjustment in relation to prior year		(120)	-
Effective income tax rate of 31.0% (2010: 32.5%)		<u>2,652</u>	<u>2,965</u>
c) Amounts recognised directly in equity			
Reserves	25	10	(13)
NOTE 8 CASH AND CASH EQUIVALENTS			
Cash at bank and on hand		<u>1,370</u>	<u>2,416</u>

NOTES TO THE FINANCIAL STATEMENTS

	2011 \$'000	2010 \$'000
NOTE 9 CURRENT TRADE AND OTHER RECEIVABLES		
Trade receivables	11,360	11,566
Less: allowance for doubtful receivables	(932)	(1,084)
	10,428	10,482
Other receivables	1,443	1,134
	11,871	11,616
Ageing of past due but not impaired:		
- 60-90 days	904	943
- 90 + days	720	371
- Total	1,624	1,314
Movement in the allowance for doubtful debts:		
Balance at the beginning of the year	1,084	734
Amounts provided during the year	24	454
Amounts written off as uncollectible	(176)	(104)
Balance at the end of the year	932	1,084
Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.		
Age of impaired trade receivables		
- 90 + days	932	1,084
- Total	932	1,084

a) Bad and doubtful trade receivables

An allowance has been made for estimated irrecoverable trade receivable amounts arising from past rendering of services determined by reference to past default experience. Before accepting any new customers, the Group will obtain third party references to assess the potential customer's credit quality and define customer limits by the customer.

b) Credit terms

The average credit period on sale of air-time is 30 days. No interest is charged on the trade receivables for the first 30 days from the date of the invoice.

c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. They are interest free and repayable at call.

NOTES TO THE FINANCIAL STATEMENTS

	2011 \$'000	2010 \$'000
NOTE 10 OTHER ASSETS		
Current – prepayments	263	-
Non-current – prepayments	528	-
	<u>791</u>	
NOTE 11 OTHER RECEIVABLES		
Loans advanced to employees	<u>1,033</u>	-
NOTE 12 AVAILABLE-FOR-SALE FINANCIAL ASSETS		
Listed securities		
- Equity securities	52	85
Unlisted securities		
- Equity securities	12	12
	<u>64</u>	<u>97</u>
a) Movements in available-for-sale financial assets		
Balance at the beginning of the year	97	55
Valuation (loss)/gain recognised	(33)	42
	<u>64</u>	<u>97</u>

b) Listed Securities

The fair value of listed investments are based on observable market prices.

c) Unlisted securities

The fair value of unlisted available-for-sale investments has been estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates. Management believes the estimated fair values resulting from the valuation techniques and recorded in the statement of financial position and the related fair value movements are reasonable and the most appropriate at reporting period date.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 OTHER FINANCIAL ASSETS

Details of the Company's subsidiaries at 30 June 2011 are as follows:

	Country of Incorporation	Ownership Interest	
		2011 %	2010 %
Harbour Radio Pty Limited	Australia	100	100
Radio 2CH Pty Limited	Australia	100	100
MAP and Page Pty Limited	Australia	100	100
Macquarie Media Network Pty Limited	Australia	100	100

NOTE 14 PROPERTY, PLANT & EQUIPMENT

	2011 \$'000	2010 \$'000
Leasehold improvements – at cost	3,240	3,240
Accumulated amortisation	(1,907)	(1,707)
	1,333	1,533
Plant and equipment – at cost	8,001	6,932
Accumulated depreciation	(5,805)	(5,092)
	2,196	1,840
Net book amount	3,529	3,373

a) Movements in property, plant and equipment

	Leasehold Improvements \$'000	Plant and Equipment \$'000	Total \$'000
Opening net book amount at 1 July 2009	1,733	2,347	4,080
Additions	-	232	232
Depreciation charge	(200)	(739)	(939)
Closing net book amount at 30 June 2010	1,533	1,840	3,373
Additions	-	1,073	1,073
Depreciation charge	(200)	(717)	(917)
Closing net book amount at 30 June 2011	1,333	2,196	3,529

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 DEFERRED TAX ASSETS

The balances comprise temporary differences attributable to:

	Assets		Liabilities		Net	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Consolidated						
Amounts recognised in profit or loss						
Doubtful debts	280	325	-	-	280	325
Employee benefits	548	532	-	-	548	532
Provision for legal costs	105	89	-	-	105	89
Accrued expenses	85	49	-	-	85	49
Fixed assets	268	339	-	-	268	339
Interest in jointly controlled entity	2,235	-	-	-	2,235	-
Accrued interest	-	-	(5)	(1)	(5)	(1)
Prepayments	-	-	(237)	-	(237)	-
Amounts recognised directly in equity						
Revaluation of investments	-	-	(3)	(13)	(3)	(13)
Net tax assets/(liabilities)	3,521	1,334	(245)	(14)	3,276	1,320

	Notes	2011 \$'000	2010 \$'000
a) Movements in temporary differences:			
Opening balance 1 July		1,320	1,071
Credited / (charged) to the profit or loss	7	1,946	262
Credited/ (charged) to reserve	25	10	(13)
Closing balance at 30 June		3,276	1,320

NOTES TO THE FINANCIAL STATEMENTS

	Notes	2011 \$'000	2010 \$'000
NOTE 16 INTANGIBLES			
Radio licenses – at cost	(b)	15,203	15,203
Website - at cost	(a)	1,001	1,001
Less: accumulated amortisation and impairment		(854)	(661)
		147	340

a) Movements in Website assets

	\$'000
Cost	
Balance at 01/07/09	1,001
Additions	-
Amounts written off	-
Balance at 30/06/10	1,001
Additions	-
Amounts written off	-
Balance at 30/06/11	1,001
Accumulated amortisation	
Balance at 01/07/09	420
Amortisation expense (i)	241
Balance at 30/06/10	661
Amortisation expense (i)	193
Balance at 30/06/11	854
Net book value	
As at 30/06/11	147

- (i) Amortisation expense is included in the line item 'depreciation and amortisation expense' in the statement of comprehensive income. A useful life of 4 years is used to amortise capitalised development costs.

b) Radio Licenses

The radio license intangibles were acquired through business acquisitions and have been allocated to two individual cash generating units for impairment testing as follows:

- Radio station 2GB cash generating unit; and
- Radio station 2CH cash generating unit.

The recoverable amount of each cash generating unit has been determined based on a value in use calculation.

The value in use calculation uses cash flow projections based on financial budgets approved by the Board for the subsequent year. These projections form the basis of a perpetuity calculation.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17 INVESTMENTS IN JOINTLY CONTROLLED ENTITY

Interest in Jointly Controlled Entity

	Balance date	Ownership interest held		Carrying Amount	
		Current year	Prior year	Current year	Prior year
		%	%	\$'000	\$'000
Melbourne Radio Operations Pty Limited	30 June	50	50	1,331	2,004

The above interest comprises redeemable preference shares in the jointly controlled entity. The entity was incorporated in Australia on 21 December 2009 and commenced trading on 19 April 2010.

	2011 \$'000	2010 \$'000
(i) Share of jointly controlled entity's (losses)		
Share of jointly controlled entity's:		
- Loss before income tax	(2,903)	(570)
- Income tax (expense)/benefit	(198)	165
- Net (loss) after tax	(3,101)	(405)
(ii) Carrying amount of investment in jointly controlled entity:		
Balance at the beginning of financial year	2,004	-
Share of net loss for the year after tax	(3,101)	(405)
Loans advanced	6,373	2,409
Impairment of loans	(3,945)	-
Carrying amount of investment in jointly controlled entity at the end of financial year	1,331	2,004
(iii) Summarised financial position of jointly controlled entity:		
Current assets	968	2,315
Non current assets	1,995	493
Current liabilities	(1,126)	(3,618)
Non current liabilities	(8,849)	-
Net liabilities	(7,012)	(810)
(iv) Accumulated losses of the company attributable to jointly controlled entity		
Balance at beginning of financial year	(405)	-
Share of jointly controlled entity's net (loss)	(3,101)	(405)
Balance at end of financial year	(3,506)	(405)
(v) Summarised financial performance of jointly controlled entity		
Aggregated revenue	3,843	1,582
Net (loss) after tax	(6,202)	(810)

NOTES TO THE FINANCIAL STATEMENTS

	Notes	2011 \$'000	2010 \$'000
NOTE 18 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES			
Unsecured liabilities			
Trade payables (i)		782	691
Other payables		5,567	6,066
		<u>6,349</u>	<u>6,757</u>

- (i) The average credit period on purchases is 30 days. No interest is charged on overdue payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

NOTE 19 CURRENT TAX LIABILITY

Income tax liability		3,664	1,491
		<u>3,664</u>	<u>1,491</u>

NOTE 20 CURRENT - PROVISIONS

Employee benefits – long service leave		337	260
Employee benefits – annual leave		1,124	1,051
Provision for claims/defamations and associated legal costs	20(a)	350	387
		<u>1,811</u>	<u>1,698</u>

a) Movements in provisions

Movements in the provisions during the financial year, other than employee benefits, are set out below:

Carrying amount at start of year		387	162
Additional provision recognised		110	324
Amount paid out of the provision during the year		(147)	(99)
Carrying amount at end of year		<u>350</u>	<u>387</u>

The amount represents a provision for certain defamation claims brought against the Group. In the directors' opinion, after taking appropriate legal advice, the outcome of these claims will not give rise to any significant loss beyond the amounts provided for at 30 June 2011.

Certain entities in the consolidated entity are party to various other legal actions and claims which have arisen in the ordinary course of business. Any liabilities arising from such legal actions and claims are not expected to have a material adverse effect on the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS

	Notes	2011 \$'000	2010 \$'000
NOTE 21 NON-CURRENT BORROWING			
Secured liabilities			
Bank loans	21(b)	9,900	9,000

a) Bank Facility Security

The bank facility is secured by a Cross Deed of Covenant ('Covenant') between the Company and its controlled entities, Radio 2CH Pty Limited and Harbour Radio Pty Limited. The Covenant is supported by a first registered fixed and floating charge over all the assets and undertaking of each entity.

(ii) The carrying amount of assets pledged as security is as follows:

- total current assets	13,504	14,032
- total non-current assets	25,111	22,337
- total assets	38,615	36,369

b) Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

Bank loan facilities

Total facilities	16,000	16,000
Used at balance date	9,900	9,000
Unused at balance date	6,100	7,000

Subject to continuous compliance with the terms of the facility agreement with the bank, the loan facilities may be drawn down at any time. The current interest rate on the bank loan facility is 7.07%.

NOTE 22 NON-CURRENT PROVISIONS

Employee benefits – long service leave	365	405
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NOTES TO THE FINANCIAL STATEMENTS

		Parent Entity	
		2011	2010
		Shares	Shares
NOTE 23 CONTRIBUTED EQUITY			
a) Shares			
Ordinary shares – fully paid	23(b)	74,681,966	74,681,966
Total shares on issue		77,681,966	74,681,966
Less: Treasury shares deemed not issued	23(f)	(3,000,000)	-
		74,681,966	74,681,966

b) Movements in ordinary share capital

	Date	Number of Shares	Issue Price\$	\$'000
Balance as at 1 July 2004		1,400,170	1.00	1,400
Exercise of options	11 March 2005	82,010	10.09	828
Exercise of options	11 March 2005	18,002	10.09	182
Share issue	11 March 2005	662	45.32	30
Share split 45:1	11 March 2005	66,037,136	-	-
Share issue	14 April 2005	1,413,960	1.00	-
Employee share issue	14 April 2005	150,000	-	-
IPO share issue	14 April 2005	3,000,000	1.00	3,000
Share issue	9 June 2005	10,800,000	1.30	14,040
Employee share issue	10 June 2005	1,000	-	-
Less: transaction costs arising on share issue net of tax		-		(515)
Balance 30 June 2005		82,902,940		18,965
Capital offset	25 November 2005	-		(11,278)
Return of capital	25 November 2005	-		(2,825)
Transaction costs arising on share issue in the prior year net of tax		-		(35)
Balance 30 June 2006 and 2007		82,902,940		4,827
Share buy back **	9 December 2007	(4,189,023)		-
Share buy back **	17 December 2007	(51,000)		-
Share buy back **	17 March 2008	(2,536,991)		-
Share buy back **	25 March 2008	(30,000)		-
Balance 30 June 2008		76,095,926		4,827
Share Cancellation	30 June 2009	(1,413,960)		-
Closing balance at 30 June 2009 and 30 June 2010		74,681,966		4,827
Employee share issue *	21 December 2010	3,000,000		-
Closing Balance at 30 June 2011		77,681,966		4,827

* Refer to note 23(f)

** Debited to Share Buy Back Reserve (note 25)

NOTES TO THE FINANCIAL STATEMENTS

c) Ordinary shares

Ordinary shares entitle the shareholders to participate in dividends and each share is entitled to one vote at shareholders' meetings. On the winding up of the Company, ordinary shareholders rank after creditors, and are fully entitled to any proceeds of liquidation.

d) Dividend reinvestment plan

The Company has adopted (but not implemented) a Dividend Reinvestment Plan under which holders of ordinary shares may elect to have all or part of their dividend entitlement satisfied by the issue of new ordinary shares rather than being paid cash. The Directors will advise shareholders prior to payment of a proposed dividend if the Dividend Reinvestment Plan will be operative in respect of that dividend.

e) Shares under options

11,251,395 options were cancelled in December 2008. 4,000,000 new options were granted in December 2008, they vest in equal tranches at the end of each of the financial years 2011, 2012 and 2013, subject to the achievement of performance based vesting conditions.

At balance date, options have been granted over shares as follows:

	Number	Exercise Price	Exercise period
Opening options at 1 July 2008	11,251,395		
Options cancelled	(11,251,395)		
Options issued	4,000,000		
Options as at 30 June 2009, 2010 and 2011	4,000,000	-	to 30/6/2013

f) Treasury Shares

The company has loaned \$1,500,000 to the Executive Chairman, Mr Russell Tate, to subscribe for 3,000,000 fully paid shares in the capital of the company on interest free, unsecured and limited recourse terms. These shares were issued to Mr Tate on 7 December 2010, in accordance with a resolution of the shareholders at the Annual General Meeting held on 18 November 2010. The shares are subject to escrow arrangements that permit the shares to be released from escrow on 30 June 2012. Proceeds from any sale of the shares after that date must be applied to repay the loan made by the company. The employment agreement provides for the company to buy back and cancel some or all of the shares in circumstances where the agreement is terminated or expires without the principal amount having been repaid in full. These shares have been accounted for as "in-substance options" in accordance with AASB 2 *Share-based Payment* and the shares issued are shown as a deduction from issued share capital described as "Treasury shares deemed not issued". The fair value of the in-substance options was calculated using the Black Scholes method giving a total fair value of \$1,686,000.

NOTES TO THE FINANCIAL STATEMENTS

g) Options

In connection with the extension of the Production Services Agreement with Alan Jones from 3 March 2010 to 30 June 2013, the Company granted 4,000,000 options (each to subscribe for one fully paid ordinary share in the Company) to Hadiac Pty Ltd. Hadiac is controlled by Alan Jones.

Number of options	4,000,000
Date of issue	20 February 2009
Issue price	Nil
Exercise price	Nil
The allottee of the options	Hadiac Pty Ltd

The options were issued on the following key terms:

- Each option entitles the holder to subscribe for one fully paid ordinary share in the Company.
- The options are divided into 3 tranches, being Tranche 1 of 1,333,334 options, Tranche 2 of 1,333,334 options and Tranche 3 of 1,333,332 options.
- The fair value of the share options granted is \$0.22 for Tranche 1, \$0.20 for Tranche 2 and \$0.18 for Tranche 3.
- Each tranche of options may vest in 2 sub-tranches (each sub-tranche being 50% of the relevant tranche) but only if the following respective vesting conditions are satisfied for the relevant sub-tranche:
 - Sub-tranche 1. The profit (EBITDA) of the breakfast shift for the 2011, 2012 and 2013 financial years respectively must be no less than the amount of the profit (EBITDA) for that shift in the 2010 financial year (uplifted by 5% cumulatively for the 2012 and 2013 financial years respectively).
 - Sub-tranche 2. The profit of the Company for the 2011, 2012 and 2013 financial years respectively must be no less than the profit set out in the Company's budget approved by the Board for those respective years.
- If a liquidity event occurs (including a significant transaction involving more than 50% of the issued shares of the Company or a disposal of a major asset of the Company), all options will automatically vest excluding any options that have then already expired.
- If a sub-tranche of a tranche of options vests following the satisfaction of the relevant vesting condition, the relevant sub-tranche may be exercised on and from the following dates:
 - Tranche 1 – 31 October 2011
 - Tranche 2 – 31 October 2012
 - Tranche 3 – 31 October 2013
- If a sub-tranche of a tranche of options does not vest because the relevant vesting condition is not satisfied, then the relevant sub-tranche will expire on the following dates:
 - Tranche 1 – 31 October 2011
 - Tranche 2 – 31 October 2012
 - Tranche 3 – 31 October 2013

Each sub-tranche of options that does vest will expire on 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 24 EARNINGS PER SHARE

	2011	2010
a) Basic earnings per share (cents per share)	7.72	8.26
b) Diluted earnings per share (cents per share) (i) (ii)	7.17	7.84
c) Reconciliation of earnings used in calculating earnings per share	\$	\$
<i>Basic earnings per share</i>		
- profit from continuing operations	5,913,000	6,167,002
less: dividends paid to treasury shareholder (Note 23(f))	(150,000)	-
	5,763,000	6,167,002
<i>Diluted earnings per share</i>		
- profit from continuing operations	5,763,000	6,167,002
	No.	No.
d) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	74,681,966	74,681,966
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	80,366,898	78,681,966
(i) The following potential ordinary shares are dilutive and therefore included in the weighted average number of ordinary shares for the purposes of diluted earnings per share:	4,000,000	4,000,000
(ii) The following shares deemed to be issued for no consideration in respect to in-substance option (treasury shares) are dilutive and therefore included in the weighted average number of ordinary shares for the purposes of diluted earnings per share:	1,684,932	-

NOTES TO THE FINANCIAL STATEMENTS

	2011 \$'000	2010 \$'000
NOTE 25 RESERVES		
Options reserve		
Balance at the beginning of the year	(1,551)	(1,580)
Recognition of share based payments	489	29
Balance at the end of the financial year	(1,062)	(1,551)
Share buy-back reserve		
Balance at the beginning of the year	(6,010)	(6,010)
Balance at the end of the financial year	(6,010)	(6,010)
Available-for-sale revaluation reserve		
Opening balance	29	-
Valuation (loss)/gain recognised	(33)	42
Deferred tax in relation to revaluation of available-for-sale financial assets	10	(13)
Balance at the end of the financial year	6	29
	(7,066)	(7,532)

Nature of reserves

Available-for-sale revaluation reserve

Changes in the fair value of investments classified as available-for-sale are taken to the available-for-sale revaluation reserve, as described in Note 3(g). Amounts are recognised in the profit and loss when the associated assets are sold or impaired.

Options reserve

The options reserve arises on the grant of share options to executives and senior employees. Amounts are transferred out of the reserve and into issued capital when the options are exercised.

Share buy-back reserve

The share buy-back reserve comprises the consideration paid upon the on-market buy-back of the company's shares.

NOTES TO THE FINANCIAL STATEMENTS

	2011 \$'000	2010 \$'000
NOTE 26 RETAINED EARNINGS		
<i>Movements in retained earnings were as follows:</i>		
Balance at the beginning of the year	19,723	16,543
Net profit for the year	5,913	6,167
Dividends	(6,871)	(2,987)
Balance at the end of the financial year	<u>18,765</u>	<u>19,723</u>

NOTE 27 DIVIDENDS

a) Ordinary Shares

Final franked dividend for the year ended 30 June 2010 of 4.0 cents
(2010: 0 cents) per fully paid ordinary share paid on 15 October 2010

2,987	-
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Interim franked dividend for the year ended 30 June 2011 of 5.0 cents
(2010: 4 cents) per fully paid ordinary share paid on 18 March 2011

3,884	2,987
-------	-------

<u>6,871</u>	<u>2,987</u>
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Dividends proposed but not declared or recognised until after year end

<u>1,554</u>	<u>2,987</u>
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b) Franking credits

Franking credits available for subsequent financial years based upon
a tax rate of 30%

5,744	4,093
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Impact on franking account balance of dividend proposed but
not recognised

<u>(666)</u>	<u>(1,280)</u>
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NOTE 28 KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Directors

The following persons were Directors of Macquarie Radio Network Limited during the financial year:

Executive Chairman

Russell Tate

Non-executive Directors

Mark Carnegie

Max Donnelly

Maureen Plavsic

NOTES TO THE FINANCIAL STATEMENTS

b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position	Employer
Mark Noakes	Sales Director	Radio 2CH Pty Limited
Robert Loewenthal	CFO/COO	Radio 2CH Pty Limited
Ian Holland	Group Program Director	Radio 2CH Pty Limited
Stuart Thomas (resigned 31 March 2011)	Head of Legal and Regulatory	Radio 2CH Pty Limited

c) Key management personnel compensation

	2011 \$	2010 \$
Short-term employee benefits	2,782,824	2,427,905
Post-employment benefits	71,386	70,460
Share-based payments	464,890	-
	<u>3,319,100</u>	<u>2,498,365</u>

d) Equity instrument disclosures relating to key management personnel

The number of shares in the company held during the financial year by each director of Macquarie Radio Network Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2011

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Macquarie Radio Network Limited				
Ordinary shares				
Russell Tate	95,000	-	-	95,000
Max Donnelly	170,000	-	-	170,000
Mark Carnegie	12,151,485	-	-	12,151,485
Maureen Plavsic	25,000	-	-	25,000
Other key management personnel of the Group				
Ordinary shares				
Stuart Thomas	6,000	-	-	6,000
Robert Loewenthal	-	-	-	-
Mark Noakes	-	-	-	-
Ian Holland	3,000	-	-	3,000

NOTES TO THE FINANCIAL STATEMENTS

2010

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Macquarie Radio Network Limited				
Ordinary shares				
Russell Tate	-	-	95,000	95,000
Max Donnelly	170,000	-	-	170,000
Mark Carnegie	12,151,485	-	-	12,151,485
Maureen Plavsic	25,000	-	-	25,000
Other key management personnel of the Group				
Ordinary Shares				
Stuart Thomas	6,000	-	-	6,000
Robert Loewenthal	-	-	-	-
Mark Noakes	-	-	-	-
Ian Holland	3,000	-	-	3,000

d) Equity instrument disclosures relating to key management personnel (continued)

The number of share options in the company granted during the financial year to each director of Macquarie Radio Network Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2011

Name	Balance at the start of the year	Granted during the year	Exercised during the year	Balance at the end of the year
Directors of Macquarie Radio Network Limited				
Share Options				
Russell Tate	-	3,000,000	-	3,000,000
Max Donnelly	-	-	-	-
Mark Carnegie	-	-	-	-
Maureen Plavsic	-	-	-	-
Other key management personnel of the Group				
Share Options				
Stuart Thomas	-	-	-	-
Robert Loewenthal	-	-	-	-
Mark Noakes	-	-	-	-
Ian Holland	-	-	-	-

e) Other transactions with key management personnel

There were no other transactions.

NOTES TO THE FINANCIAL STATEMENTS

	2011 \$	2010 \$
NOTE 29 AUDITOR'S REMUNERATION		
During the year, the following remuneration was paid to the auditor of the parent entity:		
Assurance Services		
- audit and review of financial reports under the Corporations Act 2001 and other regulatory assurance services	160,200	144,100
- other services	-	-
	<u>160,200</u>	<u>144,100</u>

The auditor of Macquarie Radio Network Limited is Deloitte Touche Tohmatsu.

NOTE 30 CAPITAL AND LEASING COMMITMENTS

a) Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable		
- not longer than one year	953	1,002
- longer than one year but not longer than five years	2,605	2,584
- longer than five years	691	691
	<u>4,249</u>	<u>4,277</u>

Leasing Arrangements

Operating leases relate to office facilities with lease terms of between 1 to 15 years, with an option to extend for a further 5 years. All operating lease contracts contain market review clauses in the event the company/ Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

NOTE 31 RELATED PARTY TRANSACTIONS

a) Parent entities

The parent entity within the Group is Macquarie Radio Network Limited.

b) Key management personnel

Disclosures relating to key management personnel are set out in Note 28 and in the Remuneration Report.

NOTES TO THE FINANCIAL STATEMENTS

	2011	2010
	\$'000	\$'000

NOTE 32 CASH FLOW INFORMATION

a) Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash on hand and at bank	1,370	2,416
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b) Reconciliation of cash flow from operations

Profit from ordinary activities after income tax	5,913	6,167
Non-cash flows in operations:		
Share of loss of jointly controlled entity	3,101	405
Impairment loss	3,945	-
Share-based payment expense	489	29
Depreciation and amortisation	1,110	1,180
(Decrease) / Increase to provisions	(79)	867
Movement in current income tax	2,173	3,046
Changes in assets and liabilities:		
(Increase) in receivables	(203)	(2,201)
Decrease / (Increase) in other assets	547	(291)
(Increase) in prepayments	(791)	-
(Increase) in deferred tax assets	(1,956)	(249)
(Decrease) / Increase in trade payables and accruals	(412)	1,414
Cash flow from operations	13,837	10,367

NOTE 33 FINANCIAL INSTRUMENTS

a) Capital risk management

The Group manages its capital to ensure the entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2010.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 21, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. Operating cash flows are used to maintain and expand the Groups broadcasting and new media assets, as well as to make the routine outflows of tax and dividends.

The Group's policy is to borrow centrally, using its long-term credit facility, to meet anticipated funding requirements.

NOTES TO THE FINANCIAL STATEMENTS

Gearing ratio

The gearing ratio at year end was as follows:

	2011 \$'000	2010 \$'000
Financial assets		
Debt (i)	9,900	9,000
Cash and cash equivalents	(1,370)	(2,416)
Net debt	8,530	6,584
Equity (ii)	16,526	17,018
Net debt to equity ratio	52%	39%

(i) Debt is defined as long- and short-term borrowings, as detailed in note 21.

(ii) Equity includes all capital and reserves.

Externally imposed capital requirements

The Group is required to maintain shareholder funds greater than \$14m having regard to the long term debt facility.

b) Categories of financial instruments

	2011 \$'000	2010 \$'000
Financial assets		
Trade and other receivables	11,871	11,616
Cash and cash equivalents	1,370	2,416
Available-for-sale financial assets	64	97
Financial liabilities		
Trade and other payables	6,349	6,757
Borrowings	9,900	9,000

c) Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's performance. Risk management is carried out by the Board of Directors.

d) Market risk

The Group's activities expose it to the financial risks of changes in interest rates. In the last two financial years the Group has not used any derivative financial instruments to hedge its exposure to interest rate risk. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

e) Interest rate risk management

The Group is exposed to interest rate risk as the Group borrows funds at floating interest rates. The Group does not hedge this risk through derivatives such as interest rate swaps.

NOTES TO THE FINANCIAL STATEMENTS

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on a 50 basis point change in interest rates taking place at the beginning of the financial year and held constant throughout the reporting period, which represents management's assessment of the possible change in interest rates. At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net profit would increase/ decrease by \$43,000 (2010: increase/decrease by \$45,000).

f) Credit risk management

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group uses publicly available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and controlled by counterparty limits that are reviewed and approved by the Chief Financial Officer. Trade receivables consist of a large number of customers, spread across diverse industries throughout Australia. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

g) Fair value of financial instruments

The fair value of financial assets and liabilities are determined as follows:

- The fair value of financial assets and liabilities with standard terms and conditions and trade on active liquid markets are determined with reference to quoted market prices;
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair values.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

			30/06/2011
	Level 1 \$'000	Level 3 \$'000	Total \$'000
Financial assets			
Equity securities	52	12	64
			30/06/2010
Equity securities	85	12	97

NOTES TO THE FINANCIAL STATEMENTS

h) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table at Note 21 details the company's and the Group's drawn and undrawn facilities.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Consolidated Liabilities

	Weighted average effective interest rate %	Less than 1 month \$'000	1 - 3 months \$'000	3 months - 1 year \$'000	1 - 5 years \$'000	5+ years \$'000
2011						
Non-interest bearing			6,349			
Variable interest rate instruments	7.02%		175	525	9,900	
		-	6,524	525	9,900	-
2010						
Non-interest bearing		-	6,757	-	-	-
Variable interest rate instruments	6.2%	-	152	457	9,571	-
		-	6,909	457	9,571	-

NOTE 34 SUBSEQUENT EVENTS

Fairfax Radio Network

On Tuesday 17 May 2011, Fairfax Media Limited announced its intention to commence a formal process for the sale of its radio assets. Macquarie Radio Network has been provided with details of the sale process and has submitted an expression of interest in purchasing the radio assets.

Smart Radio Network

On Tuesday 5 July 2011, Macquarie Radio Network Limited concluded a Heads of Agreement that contemplates the acquisition of eight commercial radio broadcasting stations from the Smart Radio Network in Queensland. The Heads of Agreement was subject to satisfaction of customary conditions including securing finance, Board approval and the conclusion of a long form agreement. On Thursday 1 September 2011, the acquisition of the Radio licences and assets of the former Smart Radio Network was successfully completed for total cash consideration of \$6 million. The initial accounting for the business combination is incomplete at the time the financial statements have been finalised and accordingly not all AASB 3 Business Combinations disclosures are possible at this time.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 35 SEGMENT REPORTING

The consolidated entity operates in a single business segment being radio and associated media activities in a sole geographical location being Australia.

NOTE 36 PARENT ENTITY DISCLOSURES

Set out below is the supplementary information about the Parent Entity.

Financial Position

	2011 \$'000	2010 \$'000
Assets		
Current assets	12,529	6,417
Non-current assets	2,956	3,094
Total assets	15,485	9,511
Liabilities		
Current liabilities	3,699	1,592
Non-current liabilities	9,900	9,000
Total liabilities	13,599	10,592
Equity		
Issued capital	4,827	4,827
Retained earnings	3,978	1,477
Reserves		
General reserve	147	147
Share buy-back reserve	(6,010)	(6,010)
Available-for-sale revaluation reserve	6	29
Options reserve	(1,062)	(1,551)
Total equity	1,886	(1,081)

Financial performance

Profit for the year	9,372	4,568
Other comprehensive (loss)/income	(23)	29
Total comprehensive income	9,349	4,597

Contingent liabilities

The Parent Entity had no contingent liabilities at 30 June 2011 and 30 June 2010.

Significant accounting policies

The accounting policies of the Parent Entity are consistent with those of the Consolidated Entity, as disclosed in note 3 except for the following:

- Investments in subsidiaries and jointly controlled entities are accounted for at cost, less any impairment.

DIRECTORS' DECLARATION

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity;
- (c) in the directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 3 to the financial statements; and
- (d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Russell Tate', with a large, stylized initial 'R'.

Russell Tate

Chairman

Dated the 23rd day of September 2011.

Independent Auditor's Report to the members of Macquarie Radio Network Limited

Report on the Financial Report

We have audited the accompanying financial report of Macquarie Radio Network Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 as set out on pages 27 to 66.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

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. Those 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, 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 control. 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.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Macquarie Radio Network Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Deloitte.

Opinion

In our opinion:

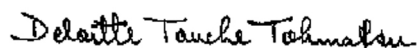
- (a) the financial report of Macquarie Radio Network Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 3.

Report on the Remuneration Report

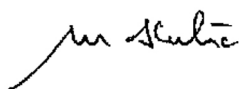
We have audited the Remuneration Report included in pages 16 to 23 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Macquarie Radio Network Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.



DELOITTE TOUCHE TOHMATSU



Michael Kulic
Partner
Chartered Accountants
Sydney, 23 September 2011

SHAREHOLDER INFORMATION

Applicable as at 31 August 2011

DISTRIBUTION OF SHAREHOLDINGS

Analysis of numbers of shareholders by size of holding as at 31 August 2011:

Size of Holdings	Ordinary Shares		
	Number of Holders	Number of Shares	% Issued Capital
1 – 100	9	51	0.00
101 – 200	4	725	0.00
201 – 300	1	300	0.00
301 – 400	4	1,395	0.00
401 – 500	20	9,860	0.01
501 – 1,000	166	161,172	0.21
1,001 – 5,000	273	669,001	0.86
5,001 – 10,000	49	431,420	0.56
10,001 – 100,000	80	2,981,756	3.84
100,001 and over	12	73,426,286	94.52
Total	618	77,681,966	100.00

SHAREHOLDER INFORMATION

Applicable as at 31 August 2011

TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of shares as at 31 August 2011 are listed below:

Ordinary Shares			
Rank	Name	Holding	%
1	JOHN SINGLETON PROMOTIONS PTY LIMITED	55,356,705	71.26
2	PEC NOMINEES PTY LTD	12,151,485	15.64
3	MR RUSSELL KEITH TATE	3,000,000	3.86
4	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	711,774	0.92
5	MR RICHARD EWAN MEWS	452,241	0.58
6	DIXSON TRUST PTY LIMITED	353,930	0.46
7	MR RICHARD MEWS + MRS WEE KHOON MEWS <MEWS SUPER FUND A/C>	318,804	0.41
8	MR CHARLES RANDOLPH CASKEY + MRS MARGARET CASKEY <CHARLES R CASKEY S/F A/C>	295,347	0.38
9	LOZOTU PTY LIMITED <SUPERANNUATION FUND A/C>	247,000	0.32
10	LOZOTU PTY LIMITED	214,000	0.28
11	SAMCARNI PTY LTD <SAMCARNI SUPER FUND A/C>	200,000	0.26
12	MRS RIKA WESTWOOD	125,000	0.16
13	BOND STREET CUSTODIANS LIMITED <PGNV - I31218 A/C>	100,000	0.13
14	CAMERON WILLIAMS PTY LIMITED <SUPERANNUATION FUND ACCOUNT>	100,000	0.13
15	MR GLEN COUTINHO <HAWGOOD P/L SPR B/FUND A/C>	100,000	0.13
16	HAWGOOD PTY LTD	100,000	0.13
17	M C DONNELLY HOLDINGS PTY LTD <M C DONNELLY SUPER FUND A/C>	100,000	0.13
18	RAYTRACK SPORTING SERVICES PTY LTD	100,000	0.13
19	R & CTATE HOLDINGS PTY LTD <R & CTATE SUPER FUND A/C>	95,000	0.12
20	DRAB INVESTMENTS PTY LTD <DRABA FAMILY A/C>	93,560	0.12
Total		74,214,846	95.55

SHAREHOLDER INFORMATION

Applicable as at 31 August 2011

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Rank	Name	Ordinary Shares	
		Holding	%
1	John Singleton Promotions Pty Limited	55,356,705	71.26
2	PEC Nominees Pty Limited	12,151,485	15.64
Total		67,508,190	86.9

UNRESTRICTED SECURITIES

	Ordinary Shares	
	Number Held	Number of Holders
Unrestricted fully paid ordinary shares – quoted on ASX	77,681,966	618
Total ordinary shares quoted on ASX	77,681,966	618

Voting rights

In relation to ordinary shares, on a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

SECURITIES Exchange Listing

The shares of the Company are listed under the ASX Company Security Code "MRN" on the Australian Securities Exchange Limited.

Shareholder Enquiries

Shareholders wishing to record a change of address or other holder details or have queries regarding their shareholding should contact the office of the share registry as detailed below. Shareholders with any other query are invited to contact the Company's registered office as detailed in the Corporate Directory at the rear of this Annual Report.

INTENTIONALLY BLANK

CORPORATE DIRECTORY

Directors

Russell Tate
Mark Carnegie
Max Donnelly
Maureen Plavsic

COMPANY SECRETARY

Robert Loewenthal

AUDITOR

Deloitte Touche Tohmatsu

SOLICITORS

Banki Haddock Fiora
Baker and McKenzie

BANKER

Australia and New Zealand Banking Group Limited

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

SECURITIES EXCHANGE LISTING

The shares of Macquarie Radio Network Limited are listed on the Australian Securities Exchange Limited.

HEAD OFFICE

Level 1, 33–35 Saunders Street
Pyrmont NSW 2009

REGISTERED OFFICE

Level 1, 33–35 Saunders Street
Pyrmont NSW 2009

ANNUAL GENERAL MEETING

The Annual General Meeting of Macquarie Radio Network Limited is to be held on 17 November 2011 at the offices of Ferrier Hodgson, Level 13 Grosvenor Place, 225 George Street Sydney, NSW commencing at 11 am.

