LIBERTY CORP
Form 10-Q
August 02, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2005

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ___to ___

Commission File Number 1-5846

THE LIBERTY CORPORATION

(Exact name of registrant as specified in its charter)

South Carolina	57-0507055
(State or other jurisdiction of incorporation or organization)	(IRS Employer identification No.)

135 South Main Street, Greenville, SC 29601

(Address of principal executive offices)

Registrant s telephone number, including area code: 864/241-5400

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes o Noþ

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes þ No o

Indicate the number of shares outstanding of each of the Registrant s classes of common stock as of the latest practicable date.

Title of each class	Number of shares Outstanding as of June 30, 2005
Common Stock	18,300,782

PART I, ITEM 1
FINANCIAL STATEMENTS
THE LIBERTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED AND CONDENSED BALANCE SHEETS

(In 000 s)

	June 30, 2005 (Unaudited)	December 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 23,269**	$ 16,389
Receivables (net of allowance for doubtful accounts)	**40,479**	41,576
Program rights	**1,492**	4,766
Prepaid and other current assets	**6,079**	6,077
Income taxes receivable	**1,811**	
Deferred income taxes	**2,623**	2,453
Total current assets	**75,753**	71,261
Property, plant, and equipment		
Land	**5,636**	5,636
Buildings and improvements	**45,931**	44,073
Furniture and equipment	**177,099**	172,993
Less: Accumulated depreciation	**(142,929)**	(134,133)
	85,737	88,569
Intangible assets subject to amortization (net of $647 and $701 accumulated amortization in 2005 and 2004, respectively)	**347**	234
FCC licenses	**241,866**	241,866
Goodwill	**101,387**	101,387
Investments and other assets	**23,546**	24,522
Total assets	**$ 528,636**	$ 527,839
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	**$ 15,252**	$ 21,396
Dividends payable	**4,462**	4,510
Program contract obligations	**1,486**	4,791
Accrued income taxes		3,573
Total current liabilities	**21,200**	34,270
Unearned revenue	**16,070**	15,965

Deferred income taxes	**61,504**	60,187
Other liabilities	**7,761**	7,097
Revolving credit facility	**110,000**	20,000
Total liabilities	**216,535**	137,519
Shareholders equity		
Common stock	**42,533**	49,273
Unearned stock compensation	**(17,790)**	(17,396)
Retained earnings	**287,609**	358,575
Unrealized investment losses	**(251)**	(132)
Total shareholders equity	**312,101**	390,320
Total liabilities and shareholders equity	**$ 528,636**	$ 527,839

See Notes to Consolidated and Condensed Financial Statements.

THE LIBERTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED AND CONDENSED STATEMENTS OF OPERATIONS

(In 000 s, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	**2005**	2004
		(Unaudited)		
REVENUES				
Television station revenues (net of commissions)	**$49,734**	$51,138	**$93,260**	$ 95,738
Cable advertising and other revenues (net of commissions)	**3,566**	3,899	**6,564**	7,130
Net revenues	**53,300**	55,037	**99,824**	102,868
EXPENSES				
Operating expenses (exclusive of depreciation and amortization shown separately below)	**31,383**	32,441	**62,774**	62,680
Amortization of program rights	**1,868**	1,781	**3,744**	3,516
Depreciation and amortization of intangibles	**4,956**	5,047	**9,699**	9,539
Corporate, general, and administrative expenses	**4,534**	5,882	**9,002**	9,185
Total operating expenses	**42,741**	45,151	**85,219**	84,920
Operating income	**10,559**	9,886	**14,605**	17,948
Net investment income (loss)	**550**	(4,739)	**2,284**	(5,389)
Interest expense	**(1,080)**	(242)	**(1,272)**	(262)
Income before income taxes	**10,029**	4,905	**15,617**	12,297
Provision for income taxes	**1,703**	1,839	**3,844**	4,611
NET INCOME	**$ 8,326**	$ 3,066	**$11,773**	$ 7,686
BASIC EARNINGS PER COMMON SHARE:	**$ 0.47**	$ 0.17	**$ 0.66**	$ 0.41
DILUTED EARNINGS PER COMMON SHARE:	**$ 0.46**	$ 0.16	**$ 0.65**	$ 0.41
Dividends per common share	**$ 0.25**	$ 0.25	**$ 0.50**	$ 0.50
Special dividend per common share	**$**	$	**$ 4.00**	$ 4.00

See Notes to Consolidated and Condensed Financial Statements.

THE LIBERTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED AND CONDENSED STATEMENTS OF CASH FLOWS

(In 000 s)

	Six Months Ended June 30, 2005	2004
	(Unaudited)	
OPERATING ACTIVITIES		
Net income	**$ 11,773**	$ 7,686
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
(Gain) Loss on sale of operating assets	**(35)**	28
Realized investment (gains) losses	**(1,635)**	6,215
Depreciation	**9,586**	9,449
Amortization of intangibles	**113**	90
Provision for bad debts	**478**	441
Amortization of program rights	**3,744**	3,516
Cash paid for program rights	**(3,775)**	(3,721)
Restricted stock amortization	**2,653**	1,198
Provision for (Benefit from) deferred income taxes	**1,147**	2,428
Changes in operating assets and liabilities:		
Receivables	**619**	2,013
Other assets	**(1,606)**	(2,432)
Accounts payable and accrued expenses	**(4,420)**	(1,230)
Accrued income taxes	**(2,878)**	(1,877)
Unearned revenue	**105**	1,778
Other liabilities	**664**	248
All other operating activities	**(226)**	(531)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**16,307**	25,299
INVESTING ACTIVITIES		
Purchase of property, plant, and equipment	**(6,844)**	(5,817)
Proceeds from sale of property, plant, and equipment	**125**	67
Investments acquired		(500)
Investments sold	**2,285**	11,257
Proceeds from sale of investment properties		1,055
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**(4,434)**	6,062
FINANCING ACTIVITIES		
Proceeds from borrowings	**142,000**	55,000
Principal payments on debt	**(52,000)**	
Dividends paid	**(82,787)**	(84,429)
Proceeds from the exercise of stock options	**661**	4,087
Repurchase of common stock	**(12,867)**	(32,389)
NET CASH PROVIDED BY(USED IN) FINANCING ACTIVITIES	**(4,993)**	(57,731)

INCREASE (DECREASE) IN CASH	**6,880**	(26,370)
Cash at beginning of period	**16,389**	62,177
CASH AT END OF PERIOD	**$ 23,269**	$ 35,807

See Notes to Consolidated and Condensed Financial Statements.

THE LIBERTY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED AND CONDENSED FINANCIAL STATEMENTS
June 30, 2005
(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated and condensed financial statements of The Liberty Corporation and Subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

The information included is not necessarily indicative of the annual results that may be expected for the year ended December 31, 2005, but does reflect all adjustments (which are of a normal and recurring nature) considered, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. In addition, the Company s revenues are usually subject to seasonal fluctuations. The advertising revenues of the stations are generally highest in the second and fourth quarters of each year, due in part to increases in consumer advertising in the spring and retail advertising in the period leading up to and including the holiday season. Additionally, advertising revenues in even-numbered years tend to be higher as they benefit from advertising placed by candidates for political offices and demand for advertising time in Olympic broadcasts.

The December 31, 2004 financial information was derived from the Company s previously filed 2004 Form 10-K. For further information, refer to the consolidated financial statements and footnotes thereto included in The Liberty Corporation annual report on Form 10-K for the year ended December 31, 2004. Certain reclassifications have been made in the previously reported financial statements to make the prior year amounts comparable to those of the current year.

2. COMPREHENSIVE INCOME

The components of comprehensive income, net of related income taxes, for the three and six month periods ended June 30, 2005 and 2004, respectively, are as follows:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2005	2004	**2005**	2004
(In 000 s)				
Net income	**$8,326**	$3,066	**$11,773**	$7,686
Unrealized gains (losses) on securities	**(72)**	(23)	**(119)**	(42)
Comprehensive income	**$8,254**	$3,043	**$11,654**	$7,644

3. SEGMENT REPORTING

The Company operates primarily in the television broadcasting and cable advertising businesses. The Company currently owns and operates fifteen television stations, primarily in the Southeast and Midwest. Each of the stations is affiliated with a major network, with eight NBC affiliates, five ABC affiliates, and two CBS affiliates. The Company evaluates segment performance based on income before income taxes, excluding unusual, or non-operating items.

The following table summarizes financial information by segment for the three and six month periods ended June 30, 2005 and 2004:

(In 000 s)	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2005	2004	**2005**	2004
Revenues (net of commissions)				
Television station	**$49,734**	$ 51,138	**$93,260**	$ 95,738
Cable advertising	**3,511**	3,883	**6,479**	7,076
Other	**55**	16	**85**	54
Total net revenues	**$53,300**	$ 55,037	**$99,824**	$102,868
Income (loss) before income taxes				
Broadcasting	**$14,888**	$ 15,588	**$23,671**	$ 27,165
Cable advertising	**472**	589	**517**	782
Corporate and other	**(5,331)**	(11,272)	**(8,571)**	(15,650)
Total income before income taxes	**$10,029**	$ 4,905	**$15,617**	$ 12,297

There were no material changes in assets by segment from those disclosed in the Company s 2004 annual report. The goodwill that appears on the face of the balance sheet arose through the acquisition of certain television stations, and therefore has been assigned in its entirety to the Broadcasting segment.

4. EMPLOYEE BENEFITS

The Company has a postretirement plan that provides medical and life insurance benefits for qualified retired employees. The postretirement medical plan is generally contributory with retiree contributions adjusted annually to limit employer contributions to predetermined amounts. The postretirement life plan provides free insurance coverage for retirees and is insured with an unaffiliated company.

The information presented in this footnote does not reflect the Medicare Prescription Drug Improvement and Modernization Act of 2003 (the Act) signed into law December 8, 2003. Specifically, the measures of Net Periodic Postretirement Benefit cost shown do not reflect this Act. Specific authoritative guidance on the accounting treatment of the Act is pending and upon issuance, may require a change in previously reported information.

Net periodic postretirement benefit cost included the following components:

(In 000 s)	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	**2005**	2004
Service cost	**$ 7**	$ 6	**$ 13**	$ 13
Amortization of prior service cost	**2**	1	**4**	1
Amortization of actuarial net gain	**3**	5	**6**	10
Interest cost	**30**	34	**60**	67
Net periodic postretirement benefit cost	**$ 42**	$ 46	**$ 83**	$ 91

5. EARNINGS PER SHARE

The calculation of basic and diluted earnings per common share from continuing operations is as follows:

(In 000 s except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	**2005**	2004
Numerator Earnings:				
Net income	**$ 8,326**	$ 3,066	**$11,773**	$ 7,686
Effect of dilutive securities				
Numerator for basic and diluted earnings per common share	**$ 8,326**	$ 3,066	**$11,773**	$ 7,686
Denominator Average Shares Outstanding:				
Denominator for basic earnings per common share weighted average shares	**17,903**	18,526	**17,972**	18,633
Effect of dilutive securities:				
Stock options	**43**	137	**66**	154
Denominator for diluted earnings per common share	**17,946**	18,663	**18,038**	18,787
Basic earnings per common share	**$ 0.47**	$ 0.17	**$ 0.66**	$ 0.41
Diluted earnings per common share	**$ 0.46**	$ 0.16	**$ 0.65**	$ 0.41

The diluted earnings per common share calculation excludes the effect of potentially dilutive shares when the inclusion of those shares in the calculation would have an anti-dilutive effect. For the three-month periods ended June 30, 2005 and 2004, the Company had approximately 233,000 and 28,000 weighted average options which were not included in the diluted earnings per common share calculation as their effect was anti-dilutive. For the six-month periods ended June 30, 2005 and 2004, the Company had approximately 142,000 and 28,000 weighted average options which were not included in the diluted earnings per common share calculation as their effect was anti-dilutive.

6. EQUITY COMPENSATION

In accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation , the Company has elected to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB No. 25) and related interpretations in accounting for its equity compensation plans and does not recognize compensation expense for its stock-based compensation plans other than for awards of restricted shares. Expense is recognized over the vesting period of the restricted shares.

Under APB No. 25, because the exercise price of the Company s employee stock options at least equals the market price of the underlying stock on the date of the grant, no compensation expense is recognized. Pro forma information regarding net income and earnings per share is required by SFAS No. 123, and has been determined as if the Company had accounted for its employee stock options under the Black-Scholes fair value method described in that statement.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. The Company s employee stock options have characteristics significantly different from those of traded options, and changes in the subjective input assumptions can materially affect the fair value estimate.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options vesting periods. The Company s pro forma information is as follows:

(In 000 s, except per share amounts)	**For the Three Months Ended June 30,**		**For the Six Months Ended June 30,**	
	2005	2004	**2005**	2004
Stock-based compensation cost included in net income (net of taxes)	**$ 803**	$ 515	**$ 1,638**	$ 749
Net income:				
As reported	**$ 8,326**	$ 3,066	**$ 11,773**	$ 7,686
Pro forma compensation expense (net of taxes)	**(195)**	(202)	**(391)**	(405)
Pro forma net income	**$ 8,131**	$ 2,864	**$ 11,382**	$ 7,281
Basic earnings per share:				
As reported	**$ 0.47**	$ 0.17	**$ 0.66**	$ 0.41
Pro forma	**0.45**	0.15	**0.63**	0.39
Diluted earnings per share:				
As reported	**$ 0.46**	$ 0.16	**$ 0.65**	$ 0.41
Pro forma	**0.45**	0.15	**0.63**	0.39

7. COMMON STOCK

The following table summarizes the Common Stock activity from the date of the Company s most recently audited annual financial statements to the end of the period covered by this report:

(In 000 s)	**Common Shares Outstanding**	**Common Stock**
Balance as of 12/31/04	18,469	$ 49,273
Stock issued for employee benefit and performance incentive compensation programs	143	5,432
Income tax benefit resulting from employee exercise of options		695
Stock repurchased	(311)	(12,867)
Balance as of 6/30/05	**18,301**	**$ 42,533**

During the first quarter of 2005, the Company funded the accrued 2004 discretionary contribution to its employee retirement and savings plan. Half of this funding, approximately $1.7 million, was in the form of approximately 40,000 shares of Liberty common stock.

8. CREDIT FACILITY

In March 2001, the Company entered into a $100 million unsecured 364-day revolving credit facility with a bank. The Company renewed the facility on substantially similar terms in each of the years 2002, 2003, 2004, and during the first quarter of 2005. At the end of the term of the facility, any outstanding principal and interest will come due, unless the bank, in its sole discretion, otherwise extends the facility. The facility provides that the funds drawn may be used for working capital, dividends, and other general corporate purposes, capital expenditures, purchases of common stock, acquisitions, and investments. The Company had $110 million and $20 million of debt outstanding at June 30, 2005 and December 31, 2004, respectively. As of June 30, 2005 the weighted average interest rate on outstanding borrowings was 3.80%.

The revolving credit facility has both an interest coverage and a leverage coverage covenant. These covenants, which involve debt levels, interest expense, EBIT, and EBITDA (measures of cash earnings defined in the revolving credit agreement), can affect the interest rate on current and future borrowings. The Company has remained in compliance with all covenants throughout the period covered by this report.

During the first quarter of 2005, the Company amended the credit agreement to, among other things, extend the term of the facility through May 17, 2006 and increase the aggregate facility commitment from $100 million to $150 million. The amended credit facility restricts payments for dividends and purchases of common stock to no more than $180 million during the period January 1, 2005 through December 31, 2005, and for periods after January 1, 2006 to $100 million plus fifty percent of cumulative net income of the Company for all fiscal periods beginning January 1, 2005.

9. PROVISION FOR INCOME TAXES

It is the Company s policy to establish reserves for income taxes that may become payable in future years as a result of an examination by tax authorities. The Company establishes the reserves based upon management s assessment of exposures related to the recognition of revenue or the deductions in its tax returns. The reserves are analyzed periodically, and adjustments are made as events occur to warrant adjustment to the reserve. For example, if the statutory period for assessing tax on a given tax return or period lapses, the reserve associated with that period may be adjusted. In addition, the adjustment to the reserve may reflect additional exposure based on current calculations. To the extent the Company were to prevail in matters for which accruals have been established, statutory periods for assessing taxes lapse, or it be required to pay amounts in excess of reserves, the Company s effective tax rate in a given financial statement period could be materially affected.

During the second quarter of 2005, as a result of a favorable settlement of an IRS matter, management reversed approximately $1.9 million of valuation allowances associated with a receivable related to the refund of income taxes previously paid. Also, a receivable of approximately $0.8 million was recorded resulting from an unrelated refund associated with a closed examination period.

10. COMMITMENTS AND CONTINGENCIES

In November of 2000, the Company sold its insurance operations to a third party. Under the purchase agreement, subject to certain limitations, the Company agreed to indemnify the buyer for damages (as defined in the purchase agreement) relating to certain tax matters, pre-existing litigation and regulatory proceedings. The indemnification relating to the tax matters is in effect until the expiration of the relevant statutes of limitation. The indemnifications relating to the other matters are in effect until the final resolution of such matters. The Company believes that the likelihood of it being required to make payments as a result of these indemnifications is remote, and therefore has no liability recorded related to these indemnifications. The limit of amounts recoverable by the acquirer will not exceed one-half the purchase price, or approximately $324 million.

11. NEW ACCOUNTING PRONOUNCEMENTS

On December 16, 2004, the Financial Accounting Standards Board issued Statement No. 123 (Revised 2004), Share-Based Payment (Statement No. 123(R)), which is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation. Statement 123(R) supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and amends FASB Statement No. 95, Statement of Cash Flows. On April 14, 2005 the Securities and Exchange Commission announced the adoption of a rule that amends the compliance dates for Statement 123(R). The new rule allows companies to implement Statement 123 (R) at the beginning of their next fiscal year that begins after June 15, 2005, which for the Company is the first quarter of 2006. Early adoption is permitted.

Generally, the approach in Statement 123(R) is similar to the approach described in Statement 123. However, Statement 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. Statement 123(R) permits public companies to adopt its requirements using one of two methods:

1. A modified prospective method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of Statement 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of Statement 123 for all awards granted to employees prior to the effective date of Statement 123(R) that remain unvested on the effective date.

2. A modified retrospective method which includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amounts previously recognized under Statement 123 for purposes of pro forma disclosures either (a) all prior periods presented or (b) prior interim periods of the year of adoption.

The Company plans to adopt Statement 123(R) using the modified prospective method.

As permitted by Statement 123, the Company currently accounts for share-based payments to employees using APB Opinion 25 s intrinsic value method and, as such, generally recognizes no compensation cost for employee stock options. The Company has not granted stock options to its employees since June of 2002. While authorized under its incentive compensation program to grant stock options, at this time the Company does not intend to make future stock option grants. Therefore, the Company anticipates that the effect of Statement 123(R) will be limited to expensing the remaining value of it s previously granted but unvested options. The Company believes that it will adopt 123(R) in the first quarter of 2006, and the estimated effect of Statement 123(R) on net income will be approximately $230,000, and $20,000 in the years 2006 and 2007 respectively.

PART I, ITEM 2
MANAGEMENT S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Unaudited)

The Liberty Corporation is a holding company with operations primarily in the television broadcasting industry. The Company s television broadcasting subsidiary, Cosmos Broadcasting, consists of fifteen network-affiliated stations located in the Southeast and Midwest, along with other ancillary businesses. Eight of the Company s television stations are affiliated with NBC, five with ABC, and two with CBS.

SEASONALITY OF TELEVISION REVENUES

The Company s revenues are usually subject to seasonal fluctuations. The advertising revenues of the stations are generally highest in the second and fourth quarters of each year, due in part to increases in consumer advertising in the spring and retail advertising in the period leading up to and including the holiday season. Additionally, advertising revenues in even-numbered years tend to be higher as they benefit from advertising placed by candidates for political offices and demand for advertising time in Olympic broadcasts.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2005 Compared to Three Months Ended June 30, 2004

Total net revenue decreased $1.7 million on a year-over-year basis. Station net revenue decreased $1.4 million for the same period. Cable and other net revenue decreased $0.3 million as compared to the prior year quarter. Net revenue decreased on a year-over-year basis due mainly to lower levels of political revenue. The year 2005 is an off-cycle election year, and as such, is expected to have lower levels of political revenue when compared to 2004 which was a presidential election year.

Local revenue was up $1.3 million as softness in the automotive and telecommunications categories was more than offset by increases in the medical, professional services, media, and retail telemarketing categories. National revenue was down $0.8 million, on a year-over-year basis due mainly to softness in the automobile, retail store, and telecommunications categories, which was partially offset by increases in the restaurant and retail telemarketing categories. Political revenue for the second quarter of 2005 was $0.6 million as compared to $3.9 million in the second quarter of 2004. This is consistent with the Company s historical experience that advertising revenues in even-numbered years tend to be higher than in odd-numbered years due to advertising placed by or on behalf of candidates running for political offices. The Company expects the cyclicality of political advertising revenues to continue to affect its revenues in future periods. The Company does not, however, know whether the variability in spending by the entities comprising the other categories tracked by the Company will continue at similar rates in future periods.

Operating expenses (including amortization of program rights) decreased $1.0 million. Higher commissions paid to the Company s sales staff as a result of increased local revenues, amortization expense related to restricted stock grants made during 2004, and increased property taxes, were offset by lower levels of accrued annual bonus expenses, training expense and professional fees, coupled with favorable bad debt experience quarter over quarter. While the Company would expect continued increases in employee compensation related to annual increases in base pay, higher levels of commissions paid to the Company s sales staff will be dependent upon the realization of increased revenues. Lower levels of bonus expense will be dependant upon the future overall performance of the Company for the remainder of 2005. Lower levels of bad debt expense are dependant on a number of factors, of which client bankruptcies, and recoveries, are a significant factor, and cannot be predicted.

Corporate expenses were $4.5 million in the second quarter of 2005, a decrease of $1.4 million as compared to the $5.9 million reported for the second quarter of 2004. The decrease in corporate expenses is due mainly to the presence in the prior year of $1.6 million of costs related to the settlement of all outstanding issues associated with the terminated GNS Media transaction. During 2003, the Company announced that it was in negotiations with GNS for the purpose of entering into certain agreements associated with GNS s proposed purchase of a television station. Those negotiations were subsequently terminated. Exclusive of the GNS charge, corporate expenses were essentially flat compared to the prior year. Increased restricted stock amortization and a $0.4 million payment related to the Company s former insurance subsidiary were offset by lower levels of accrued annual bonus expense.

Net investment income was $0.6 million for the second quarter of 2005, as a result of distributions from the Company s venture capital portfolio and interest income earned on cash balances. Net investment income for the second quarter of 2004 was a loss of $4.7 million. Interest earned on cash balances and notes receivable, and a $0.7 million gain on sale of an investment in the Company s venture capital portfolio were offset by a $5.3 million impairment of one of the Company s strategic investments. The Company fully reserved this investment, a developer of digital entertainment to be viewed at existing movie theaters, due to the investee company s inadequate cash balances and inability to secure financing from additional investors.

During the second quarter of 2005, as a result of a favorable settlement of an IRS matter, management reversed approximately $1.9 million of valuation allowances associated with a receivable related to the refund of income taxes previously paid. Also, a receivable of approximately $0.8 million was recorded resulting from an unrelated refund associated with a closed examination period. The Company s tax rate, exclusive of the issues noted above, is expected to be approximately 43.5% for 2005.

Six Months Ended June 30, 2005 Compared to Six Months Ended June 30, 2004

Total net revenue decreased $3.0 million on a year-over-year basis. Station net revenue decreased $2.5 million for the same period. Cable and other net revenue decreased $0.5 million as compared to the prior year. Net revenue decreased on a year-over-year basis due mainly to lower levels of political revenue. The year 2005 is an off-cycle election year, and as such, is expected to have lower levels of political revenue when compared to 2004 which was a presidential election year.

Local revenue was up $2.1 million as softness in the automotive and restaurant categories was offset by increases in the professional services, medical, and retail telemarketing categories. National revenue was down $1.5 million, on a year-over-year basis due mainly to softness in the telecommunications and automotive categories. Political revenue for the first half of 2005 was $0.9 million as compared to $6.5 million in the first half of 2004. This is consistent with the Company s historical experience that advertising revenues in even-numbered years tend to be higher than in odd-numbered years due to advertising placed by or on behalf of candidates running for political offices. The Company expects the cyclicality of political advertising revenues to continue to affect its revenues in future periods. The Company does not, however, know whether the variability in spending by the entities comprising the other categories tracked by the Company will continue at similar rates in future periods.

Operating expenses (including amortization of program rights) increased $0.3 million. Operating expenses increased due mainly to planned annual increases in employee compensation, higher commissions paid to the Company s sales staff as a result of increased local revenues, and amortization expense related to restricted stock grants made during 2004. These increases were partially offset by lower levels of accrued annual bonus, training, and travel expenses. While the Company would expect continued increases in employee compensation related to annual increases in base pay, higher levels of commissions paid to the Company s sales staff will be dependent upon the realization of increased revenues. Lower levels of bonus expense will be dependant upon the future overall performance of the Company for the remainder of 2005.

Corporate expenses were $9.0 million in the first half of 2005, a decrease of $0.2 million as compared to the $9.2 million reported for the first half of 2004. The decrease in corporate expenses is due mainly to planned annual increases in employee compensation, increased amortization expense related to restricted stock grants, increased legal fees, increased accounting and professional fees, and the payment related to the Company s former insurance subsidiary noted above, being offset by the absence of the $1.6 million charge in 2004 related to the settlement of all outstanding issues associated with the terminated GNS Media transaction, also noted above.

Net investment income was $2.3 million for the first half of 2005, as a result of gains from the sale of investments in, and distributions from, the Company s venture capital portfolio, coupled with interest income earned on cash balances. Net investment income for the first half of 2004 was a loss of $5.4 million. Interest earned on cash balances and notes receivable, and a $0.7 million gain on sale of an investment in the Company s venture capital portfolio were offset by $1.1 million of impairments taken during the first quarter of 2004 and a $5.3 million impairment of one of the Company s strategic investments taken during the second quarter of 2004.

During the second quarter of 2005, as a result of a favorable settlement of an IRS matter, management reversed approximately $1.9 million of valuation allowances associated with a receivable related to the refund of income taxes previously paid. Also, a receivable of approximately $0.8 million was recorded resulting from an unrelated refund associated with a closed examination period. The Company s tax rate, exclusive of the issues noted above, is expected to be approximately 43.5% for 2005.

Capital, Financing and Liquidity

At June 30, 2005, the Company had cash of $23.3 million, outstanding debt of $110.0 million, and $40.0 million available under its credit facility. During the first quarter of 2005, the Company declared a special dividend of $4.00 per share, approximately $73.5 million, in addition to its normal recurring quarterly dividend of $0.25 per share. The special dividend was paid during the second quarter of 2005 using a significant portion of the Company s then available cash balance. The Company borrowed $80.0 million under its credit facility to assist in funding the special and regular dividends.

The revolving credit facility has both an interest coverage and a leverage coverage covenant. These covenants, which involve debt levels, interest expense, EBIT, and EBITDA (measures of cash earnings defined in the revolving credit agreement), can affect the interest rate on current and future borrowings. The Company was in compliance with all covenants throughout the period covered by this report.

During the first quarter of 2005, the Company amended the credit facility to, among other things, extend the term of the facility through May 17, 2006 and increase the aggregate facility commitment from $100 million to $150 million. The amended credit facility restricts payments for dividends and purchases of common stock to no more than $180 million during the period January 1, 2005 through December 31, 2005, and for periods after January 1, 2006 to $100 million plus fifty percent of cumulative net income of the Company for all fiscal periods beginning January 1, 2005.

The Company anticipates that its primary sources of cash, those being current cash balances, operating cash flow, and the available credit facility will be sufficient to finance the Company s operating requirements and anticipated capital expenditures, for both the next 12 months and the foreseeable future thereafter.

Cash Flows

The Company s net cash provided by operating activities was $16.3 million for the first six months of 2005 compared to $25.3 million for the same period of the prior year. The Company s net cash used in investing activities was $4.4 million for the first six months of 2005, as compared to net cash provided of $6.1 million for the same period of 2004. The decrease in net cash provided by investing activities is attributable to the cash realized on the sale of an investment in the Company s strategic portfolio during 2004 that was not present during 2005. Net cash used in financing activities for the first six months of 2005 was $5.0 million compared to $57.7 million for the first six months of 2004. During 2005, the Company had net borrowings of $90.0 million under its credit facility, compared to $55.0 million during 2004. As noted above, the Company drew down the funds to assist in the funding of the 2005 special dividend.

Forward Looking Information

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. Certain information contained herein or in any other written or oral statements made by, or on behalf of the Company, is or may be viewed as forward-looking. The words expect, believe, anticipate or similar expressions identify forward-looking statements. Although the Company has used appropriate care in developing any such forward-looking information, forward-looking information involves risks and uncertainties that could significantly impact actual results. These risks and uncertainties include, but are not limited to, the following: changes in national and local markets for television advertising; changes in general economic conditions, including the performance of financial markets and interest rates; competitive, regulatory, or tax changes that affect the cost of or demand for the Company s products; and adverse litigation results. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future developments, or otherwise.

PART I, ITEM 3

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the information, as disclosed in Part II, Item 7A of the Company s most recent annual report on Form 10-K, that would be provided under Item 305 of Regulation S-K from the end of the preceding fiscal year to the date of this report.

PART I, ITEM 4

CONTROLS AND PROCEDURES

The Company carried out an evaluation, under the supervision and with the participation of the Company s management, including the Company s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company s disclosure controls and procedures are effective to ensure that information required to be disclosed in the Company s reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and are also effective to ensure that information required to be disclosed in the Company s reports filed or submitted under the Exchange Act is accumulated and communicated to the Company s management, including the principal executive and principal financial officers, to allow timely decisions regarding required disclosure.

During the most recent fiscal quarter, there has been no change in the Company s internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting.

PART II, ITEM 2.
UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April 1 30, 2005		$		3,815,400
May 1 31, 2005	124,069	$ 36.94	116,900	3,698,500
June 1 30, 2005		$		3,698,500
Total	124,069	$ 36.94	116,900	3,698,500

During the quarter the Company acquired 7,169 shares as satisfaction of withholding tax obligations for restricted stock that vested during the period, in accordance with provisions of the Company s Performance Incentive Compensation plan.

On February 8, 2005 Liberty s Board of Directors extended to February 28, 2006 the Company s authorization to purchase from time to time up to 4,000,000 shares of stock in the open market or directly negotiated transactions.

PART II, ITEM 4.
Submission Of Matters To A Vote Of Security Holders

a. The annual meeting of shareholders of the registrant was held May 3, 2005.

b. The following individuals were elected to serve for three-year terms: Frank E. Melton, John H. Mullin, III, and Eugene E. Stone, IV. The following individuals are currently serving as incumbent directors: Hayne Hipp, J. Thurston Roach, William B. Timmerman, Edward E. Crutchfield, John R. Farmer, William O. McCoy.

c. Matters voted upon at the annual meeting were as follows:

	For	Against	Withheld/ Abstentions	Broker Non-Votes
To elect as director:				
Frank E. Melton	10,168,172		6,056,779	
John H. Mullin, III	10,166,272		6,058,679	
Eugene E. Stone, IV	10,146,856		6,078,095	
To ratify the selection of Ernst & Young as independent public accountants:	15,843,894	325,237	55,821	
To consider and act upon a shareholder proposal requesting that the Board of Directors of the Company redeem the rights issued pursuant to the Company s Shareholder Rights Plan	7,988,695	6,736,946	86,652	1,412,658

PART II, ITEM 5.
OTHER INFORMATION

During the second quarter of 2005, the Compensation Committee of the Board of Directors approved an increase in the base salary of Liberty s Controller, Jonathan Norwood, of $4,500, for a total base salary of $154,400 effective May 1, 2005.

PART II, ITEM 6.
EXHIBITS

INDEX TO EXHIBITS

EXHIBIT 11	Consolidated Earnings Per Share Computation (included in Note 5 of Notes to Consolidated and Condensed Financial Statements)
EXHIBIT 31	Rule 13a-14(a)/15d-14(a) Certifications
EXHIBIT 32	Section 1350 Certifications

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE LIBERTY CORPORATION Date: August 2, 2005

(Registrant)

/s/ Howard L. Schrott

Howard L. Schrott
Chief Financial Officer

/s/ Martha G. Williams

Martha G. Williams
Vice President and General Counsel