ABN 20 009 221 630

APPENDIX 4D

Interim Financial Report for half year ended 31 December 2014

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This half year financial report provided to the ASX under Listing Rule 4.2A should be read in conjunction with the Annual Report for the year ended 30 June 2014.

Appendix 4D
Results for announcement to the market

1. Company Details

Name of Entity:	Pacific Star Network Limited
ABN	20 009 221 630
Half Year Ended (current period) Half Year Ended (previous period)	31 December 2014 31 December 2013

2. Results for announcement to the market

		Change %		31 December 2014 $000's	31 December 2013 $000's
2.1	Revenues from continuing activities	Up 24%	to	**9,539**	7,703
2.2	EBITDA (underlying)*	Up 82%	to	**1,800**	990
2.3	Net profit from ordinary activities before tax attributable to members	Down 53%	to	**368**	785
2.4	Net profit from ordinary activities after tax attributable to members	Down >100%	to	**(38)**	491
2.5	Significant / acquisition expense*	Up >100%	to	**(1,224)**	-
2.6	Earnings per Share – basic cents (NPAT)	Down >100%	to	**(0.1)**	0.9
2.7	Earnings per Share – basic (cents)** (underlying EBITDA)	Up 37%	to	**2.6**	1.9

* = Non-AIFRS item

** Calculated based upon post issue ordinary shares on issue of 69.94 million

Note:

The information contained in this Appendix, and the attached Half Year Financial Report, do not include all of the notes of the type normally included in the annual financial statements. Accordingly, these reports are to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

2. Results for announcement to the market cont'd

2.8 Brief explanation / notes

The reported revenues for the half year increased by 24% to $9,539 thousand with an underlying EBITDA of $1,800 thousand and a net profit after tax result of $1,186 thousand (all before taking account of significant items for the half year – see note 2.9 below).

The reported revenues and underlying net profit after tax include the trading activities of the Morrison Media business. The purchase of this business was settled during the month of December 2014 and the company has consolidated Morrison Media from the beginning of the month.

Segment results for the company's two business units are disclosed in note 8 of this half year report.

Of particular note is the first time inclusion of the Morrison Media business in the print segment.

The results for the print segment, including one month's trading activity for the Morrison Media business, should not be taken as indicative or extrapolated out for the full year. Whilst the result is highly encouraging, it is strongly influenced by the seasonality of that business with the Christmas period being the strongest trading month over a full financial year.

Financial Performance

	31 December 2014 $000's	31 December 2013 $000's
Broadcast revenue	**7,619**	7,160
Publishing revenue	**1,790**	438
Other revenue	**130**	105
Revenue from continuing operations	**9,539**	7,703
Underlying EBITDA*	**1,800**	990
Depreciation / amortisation	**221**	238
Earnings before interest, tax and significant items*	**1,579**	752
Net interest received	**13**	33
Net profit before tax and significant items*	**1,592**	785
Income tax	**406**	294
Net profit before significant items*	**1,186**	491
Significant items	**1,224**	-
Net profit after tax as reported	**(38)**	491
Dividend per share	**1.25 cents fully franked**	0.70 cents unfranked

* = Non-AIFRS item

2. Results for announcement to the market cont'd

2.9 Significant Items

At reporting date, the company has recognised transaction fees of $1,224 thousand which are directly related to the acquisition of the Morrison Media business. By their nature, these are considered one-off costs associated with acquisition activity.

Acquisition transaction costs recognised at the half year include the following:

	$000's
Legal advice and due diligence	311
Financing / advisor fees	533
Stamp duty – estimated	310
Other	70
Total	**1,224**

2.10 Dividends (distributions)	**Amount per security**	**Franked amount per security**
Interim dividend declared (Conduit Foreign Income – Nil)	1.25 cents	100%
Previous corresponding period (Conduit Foreign Income – Nil)	0.70 cents	Nil

2.11 Record date for determining entitlement date to dividend	13 March 2015

3. Net Tangible Asset (NTA) Backing

	31 December 2014	31 December 2013
Net tangible asset backing per ordinary security	(0.4) cents	10.9 cents
Net asset backing per ordinary security	27.8 cents	27.9 cents

4. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to Net profit / (loss) in $000's	
	31 December 2014	31 December 2013	**31 December 2014**	31 December 2013
Digital Radio Broadcasting Melbourne Pty Ltd	18.2%	18.2%	(7)	(31)

5. Funding

	31 December 2014 $000's	30 June 2014 $000's
Cash	4,656	4,056
Borrowings	(7,000)	(584)
Net (Debt) / cash	(2,344)	3,472

Total Equity	21,463	16,444
Gearing % = Net Debt / (Net Debt + Shareholder Funds)	11%	N/a

At an Extraordinary General Meeting held on 11 December 2014, directors sought and received shareholder approval for the acquisition of the Morrison Media business and the issuing of additional equity through a placement and share purchase plan.

- On 12 December 2014, the company issued 13,333,334 ordinary shares at 30 cents to sophisticated and professional investors and senior managers of the company to raise $4.0 million through a placement; and
- On 18 December 2014, the company issued 3,389,823 shares at 29.5 cents to existing shareholders (with the shortfall taken up by the underwriter, Rosh Hagiborim Pty Ltd, a company associated with director, Ron Hall) to raise $1.0 million through a share purchase plan.

In parallel with the plan to issue additional equity, the company successfully executed a new facility agreement with Commonwealth Bank of Australia (CBA) for the provision of two loan facilities as follows:

- $7.0 million loan facility to be used towards funding the purchase of the Morrison Media business; and
- A $1.6 million working capital facility to fund seasonal variations in Morrison Media cash flows.

At reporting date, the company had repaid the existing Bank of Melbourne commercial loan and equipment financing facility of $0.6 million and fully drawn down the loan facility with CBA.

6. Control gained over entities during the period

Name of Entity	Morrison Media Business
Date control acquired	17 December 2014
	$000's
Profit after income tax since the date on which control was acquired (one month to 31 December 2014)	542
Profit after income tax for the whole of the previous corresponding period (based on unaudited management accounts for the six months to 31 December 2014).	886

Directors' Report

Dear Shareholder,

The directors of Pacific Star Network Limited, the consolidated entity, submit herewith the financial report for the period ended 31 December 2014.

In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

The names and particulars of the directors of the company at any time during or since the end of the financial year are:

Name	Particulars
Ronald Hall	Appointed Non-Executive Director on 13 February 2002
Andrew Moffat	Appointed Non-Executive Director on 1 September 2004
Gary Pert	Appointed Non-Executive Director on 1 July 2008
Michelle Guthrie	Appointed Non-Executive Director on 1 May 2013

Principal activities

Pacific Star Network Limited is a media company with interests in broadcasting (1116SEN, MyMP, Aussie and Kool) and publishing (frankie, Smith Journal, Surfing Life, White Horses, Slow and Inside Football magazine) and digital assets including websites (www.sen.com.au), mobile applications and an on-line store (morrisonmedia.com.au).

The company's strategy is to create and distribute diverse content for niche target communities across a number of channels.

Acquisition

The company successfully completed the acquisition of the Morrison Media business in December 2014.

Established in 1984, Morrison Media is home to a number of niche magazine titles (see principal activities above) and will provide the company with a cornerstone publishing business to leverage into this market segment.

Morrison Media employs 40 staff approx and has offices in Melbourne and Burleigh Heads, Queensland.

Cash consideration for the acquisition was $11.0 million (approx) including working capital adjustments.

Operating Result

The company reports a net loss after tax of profit of $38 thousand, down >100% compared to the corresponding period (2014: $491 thousand). The underlying net profit after tax (excluding the impact of one off transaction costs of $1,224 thousand associated with the acquisition of Morrison Media) is $1,186 thousand, up >100% on the corresponding period (2014: $491 thousand).

EBITDA result was $576 thousand, down 42% on the comparative period (2014: $990 thousand).

Underlying EBITDA (excluding one off acquisition transaction costs of $1,224 thousand described above) was $1,800 thousand, up 82% on the same period last year (2014: $990 thousand).

Revenue at $9,539 thousand for the half year was up 24% on the comparative period (2014: $7,703 thousand). Reported revenue includes one month of trading for the Morrison Media business.

Directors' Report Cont'd

Operating Result Cont'd

Operating costs at $9,171 thousand were up 33% on the comparative period (2014: $6,918 thousand). Excluding the impact of one off transaction costs of $1,224 thousand described above, operating costs were up 15% on the same period last year, including operating costs for the first month of trading for the Morrison Media business.

Operating cash flows at $1,254 thousand were down 19% on the comparative period (2014: $1,555 thousand) due to the company commencing to make income tax payments to the ATO.

Taxable income for the half year is estimated at $1,723 thousand. Income tax expense for the period is estimated at $406 thousand, resulting in an effective tax rate of 24%. This rate takes account of the tax effect of movements in temporary differences and under / over provisions for income tax from prior years.

If the impact of these adjustments were excluded, the effective tax rate would be closer to 30%.

Review of Operations

- In a tough advertising market, it was pleasing to note that the broadcasting segment generated a profit before tax contribution of $1,233 thousand, a strong result that came in ahead of budget.
- As noted earlier, the company completed the acquisition of the Morrison Media publishing business in December 2014 and incurred one off transaction costs of $1,224 thousand in relation to this transaction. As is to be expected, the management team was heavily focussed on this transaction in the first half of the year including due diligence, shareholder approval, capital raising and concluding negotiations on a new funding facility with CBA.
- The publishing segment incorporating Inside Football magazine and the newly acquired Morrison Media generated a strong profit result of $747 thousand for the half year, however, it should be noted that this result should not be taken as not indicative of the full year result, due to the seasonality of the Morrison Media business, in particular over the Christmas period of trading.

Outlook

- At reporting date, the company held cash reserves of $4,656 thousand, generates positive operating cash flows and carries low levels of balance sheet gearing. This provides a level of flexibility in the future to implement measures that will enhance shareholder value.
- A major focus in coming months will be the consolidation of the Morrison Media business to ensure that the company leverages an appropriate level of return from this investment.

Directors' Report Cont'd

Dividends

Directors' have declared a fully franked interim dividend of 1.25 cents per share.

Record date for determining entitlements to the dividend is 13 March and payment date will be 27 March 2015.

Rounding of Amounts

Pacific Star Network Limited is of a kind referred to in ASIC Class Order 98/0100, dated 10 July 1998 and in accordance with the Class Order, amounts in the Directors' Report and Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 9 and forms part of the Directors' Report for the half year ended 31 December 2014.

Signed in accordance with a resolution of the Directors'.

Andrew Moffat
Chairman

Melbourne, 27 February 2015

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DECLARATION OF INDEPENDENCE BY DAVID GARVEY TO THE DIRECTORS OF PACIFIC STAR NETWORK LIMITED

As lead auditor for the review of Pacific Star Network Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Pacific Star Network Limited and the entities it controlled during the period.

David Garvey
Partner

BDO East Coast Partnership

Melbourne, 27 February 2015

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Pacific Star Network Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Pacific Star Network Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our audit in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Pacific Star Network Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the half-year financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO East Coast Partnership

BDO

David Garvey
Partner

Melbourne, 27 February 2015

Directors' Declaration

In the opinion of the directors' of Pacific Star Network Limited:

a) the financial statements and notes set out on pages 13 to 23 are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014, and of its performance for the half year ended on that date; and

   (ii) complying with Accounting Standard AASB 134 "*Interim Financial Reporting*" and the *Corporations Regulations 2001*; and other mandatory professional reporting requirements; and

   (iii) as stated in Note 1, the consolidated financial statements also comply with International Financial Reporting Standards.

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

Signed in accordance with a resolution of the Directors' made pursuant to section 295(5) of the *Corporations Act 2001.*

On behalf of the Directors'

Andrew Moffat
Chairman

Melbourne, 27 February 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half year ended 31 December 2014

	Notes	*31 December 2014 $'000's*	*31 December 2013 $'000's*
REVENUE	**2**	**9,539**	7,703
Sales and marketing expenses		**(1,449)**	(1,479)
Occupancy expenses		**(365)**	(318)
Administration expenses		**(1,915)**	(1,423)
Technical expenses		**(3,767)**	(3,279)
Morrison Media acquisition costs		**(1,224)**	-
Corporate expenses		**(411)**	(371)
Finance costs		**(33)**	(17)
Share of net loss of associate accounted for using the equity method		**(7)**	(31)
EXPENSES		**(9,171)**	(6,918)
PROFIT BEFORE INCOME TAX		**368**	785
Income tax expense	**3**	**(406)**	(294)
(LOSS)/ PROFIT FOR THE HALF YEAR AFTER INCOME TAX		**(38)**	491
Other comprehensive income net of tax		**-**	-
COMPREHENSIVE LOSS FOR THE HALF YEAR		**(38)**	491
EARNINGS PER SHARE			
Basic (cents per share)	**4**	**(0.1)**	0.9
Diluted (cents per share)	**4**	**(0.1)**	0.9

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position
as at 31 December 2014

	Notes	*31 December 2014 $'000's*	*30 June 2014 $'000's*
CURRENT ASSETS			
Cash and cash equivalents		**4,656**	4,056
Trade and other receivables		**4,158**	2,577
Prepayments		**123**	521
TOTAL CURRENT ASSETS		**8,937**	7,154
NON-CURRENT ASSETS			
Property, plant and equipment		**1,998**	1,709
Deferred tax asset		**570**	381
Receivables from associate		**195**	231
Investments accounted for using the equity method		**126**	133
Intangibles	**5**	**19,792**	9,083
TOTAL NON-CURRENT ASSETS		**22,681**	11,537
TOTAL ASSETS		**31,618**	18,691
CURRENT LIABILITIES			
Trade and other payables		**3,595**	2,136
Income tax		**844**	449
Provisions		**673**	516
Borrowings		**-**	584
TOTAL CURRENT LIABILITIES		**5,112**	3,685
NON-CURRENT LIABILITIES			
Borrowings	**6**	**7,000**	-
Provisions		**56**	73
TOTAL NON-CURRENT LIABILITIES		**7,056**	73
TOTAL LIABILITIES		**12,168**	3,758
NET ASSETS		**19,450**	14,933
EQUITY			
Issued capital		**21,463**	16,444
Share based payment reserve		**687**	674
Accumulated losses		**(2,700)**	(2,185)
TOTAL EQUITY		**19,450**	14,933

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity
for the half year ended 31 December 2014

	Notes	Issued Capital $'000's	Share Based Payment Reserve $'000's	Accumulated Losses $'000's	Total $'000's
TOTAL EQUITY AT 1 JULY 2014		**16,444**	**674**	**(2,185)**	**14,933**
Loss after income tax		**-**	**-**	**(38)**	**(38)**
Other comprehensive income		**-**	**-**	**-**	**-**
Total comprehensive loss		**-**	**-**	**(38)**	**(38)**
Transactions with owners in their capacity as owners					
Share buy-back scheme	**7**	**(11)**	**-**	**-**	**(11)**
Dividends paid		**-**	**-**	**(477)**	**(477)**
Issue of share capital[1]	**7**	**30**	**-**	**-**	**30**
Issue of share capital - Placement[2]	**7**	**4,000**	**-**	**-**	**4,000**
Issue of share capital – SPP[3]	**7**	**1,000**	**-**	**-**	**1,000**
Amortisation of share options granted to staff		**-**	**13**	**-**	**13**
TOTAL EQUITY AT 31 DECEMBER 2014		**21,463**	**687**	**(2,700)**	**19,450**
TOTAL EQUITY AT 1 JULY 2013		16,531	634	(2,201)	14,964
Profit after income tax		-	-	491	491
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	491	491
Transactions with owners in their capacity as owners					
Share buy-back scheme		(61)	-	-	(61)
Dividends paid		-	-	(532)	(532)
Issue of share capital[4]		26	-	(26)	-
Amortisation of share options granted to staff		-	24	-	24
TOTAL EQUITY AT 31 DECEMBER 2013		16,496	658	(2,268)	14,886

The accompanying notes form part of these financial statements

[1] Issued 111,390 ordinary shares for nil consideration under the Company's Exempt Employee Share Plan (EESP) in first half of the financial year.

[2] On 12 December 2014, the company issued 13,333,334 ordinary shares in a placement at 30 cents to raise $4.0 million.

[3] On 18 December 2014, the company issued 3,389,823 ordinary shares in a Share Purchase Plan at 29.5 cents to raise $1.0 million.

[4] In the previous financial year, issued 126,828 ordinary shares for nil consideration under the Company's Exempt Employee Share Plan (EESP) .

Consolidated Statement of Cash Flows
for the half year ended 31 December 2014

	Notes	Inflows / (Outflows) 31 December 2014 $'000's	31 December 2013 $'000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**10,946**	9,884
Payments to suppliers and employees (inclusive of GST)		**(9,399)**	(8,361)
Interest received		**25**	49
Interest and other costs of finance paid		**(18)**	(17)
Income taxes paid		**(300)**	-
Net cash provided by operating activities		**1,254**	1,555
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for acquisition of Morrison Media business	**10**	**(10,930)**	-
Payment for Morrison Media acquisition costs		**(367)**	-
Payment for property, plant and equipment		**(276)**	(145)
Net cash used in investing activities		**(11,573)**	(145)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		**5,000**	-
Proceeds from borrowings		**7,000**	-
Repayment of borrowings		**(593)**	(94)
Dividends paid		**(477)**	(532)
Payment for buy back of equity securities		**(11)**	(82)
Net cash provided by / (used in) financing activities		**10,919**	(708)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**600**	702
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE HALF YEAR		**4,056**	3,394
CASH AND CASH EQUIVALENTS AT END OF THE HALF YEAR		**4,656**	4,096

The accompanying notes form part of these financial statements

Notes to the Financial Statements
for the half year ended 31 December 2014

1. Summary of significant accounting policies

Basis of Preparation

This general purpose half-year financial report has been prepared by a for-profit entity in accordance with AASB 134 "*Interim Financial Reporting*" and the *Corporations Act 2001.*

Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "*Interim Financial Reporting*".

The financial statements are for the consolidated entity, comprising Pacific Star Network Limited ("the Company") and its subsidiaries.

The consolidated financial statements have been prepared under the historical cost convention, except for where applicable, the evaluation of certain non-current assets and financial instruments.

Cost is based on the valuation of consideration given. The accounting policies utilised in preparing the half-year financial report are consistent with those adopted for previous periods, but the half year report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2014 and any public announcements made during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001* and ASX listing rules.

Adoption of new and revised Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory or material for the half year reporting period.

The application of these standards is not expected to materially affect the amounts recognised in the current or future period financial statements.

Critical accounting judgements and key sources of estimation uncertainty

In the application of accounting policies, management is required to make judgements, estimates, and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and assumptions are based on historical experience and other factors that are considered to be relevant.

Revisions to accounting estimates are recognised in the period in which the estimates are 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.

Estimates and assumptions have been utilised for the impairment testing of intangible assets with indefinite lives. By their nature, these estimates incorporate inherent risks as they are based on future events which could have a material impact on the value of assets and liabilities in this financial year.

Notes to the Financial Statements
for the half year ended 31 December 2014

1. Summary of significant accounting policies cont'd

Rounding of Amounts

In accordance with ASIC Class Order 98/100 dated 10 July 1998, amounts shown in the financial report have been rounded off to the nearest thousand dollars.

Fair value measurement of other financial instruments

The company also has a number of financial instruments which are not measured at fair value in the Statement of Financial Position. Due to their short-term nature, the carrying amounts of the receivables, current payables and borrowings is assumed to approximate to their fair value.

2. Revenue from continuing operations

	31 December 2014 $'000's	*31 December 2013 $'000's*
Broadcast revenue	**7,619**	7,160
Publishing revenue	**1,790**	438
Interest revenue	**47**	50
Other revenue	**83**	55
Revenue from continuing operations	**9,539**	7,703

Publishing revenue includes a contribution of $1,565 thousand from the Morrison Media business for the month of December 2014.

3. Income Tax

a) Income tax expense for the half year differs from the amount calculated in the net result from continuing operations. The difference is reconciled as follows:

	31 December 2014 $'000's	31 December 2013 $'000's
Profit before income tax expense	**368**	785
Income tax expense calculated at 30%	**110**	236
Non allowable expenses	**216**	36
Deductible expenses / non assessable income	**(26)**	(10)
	300	262
Income tax – under provision for 2011-12	**74**	32
Income tax – under provision for 2012-13	**32**	-
Income tax expense	**406**	294

b) Income tax expense

	31 December 2014 $'000's	31 December 2013 $'000's
Current tax	**623**	131
Deferred tax	**(217)**	163
	406	294

Notes to the Financial Statements
for the half year ended 31 December 2014

4. Earnings Per Share

Weighted average number of ordinary shares on issue for calculation of:	*31 December 2014 000's*	*31 December 2013 000's*
Basic (loss) / earnings per share	**56,193**	53,031
Diluted (loss) / earnings per share	**55,665**	54,135
	$'000's	*$'000's*
(Loss) / profit for the half year	**(38)**	491
Basic (loss) / earnings per share	**(0.1)**	0.9
Diluted (loss) / earnings per share	**(0.1)**	0.9

5. Intangible Assets

Intangibles are tested annually for impairment at CGU level.

Intangibles have been allocated to two CGU's for impairment testing as follows:

- Broadcasting (radio licences) CGU - 1116AM (SEN) / 1377AM (MyMP) - $8,169 thousand; and
- Publishing CGU - Frankie, Smith Journal, Slow, White Horses, Surfing Life and Inside Football - $11,364 thousand.

In the opinion of directors, radio licences have an indefinite useful life and hence they are not amortised.

The recoverable amount of each CGU has been determined based on the higher of value in use or fair value. The basis for determining the recoverable amount under each option is outlined below.

Value in Use (VIU)

Value in use is determined by using cash flow projections based on financial budgets approved by the board for the subsequent year and these projections form the basis for cash flow projections.

In respect of radio licences, the key assumptions used for value in use for the current period were:

(i) Net cash flows before tax will grow at an annual rate of 2.1% (2014: 2.5%);

(ii) Pre tax discount rate of 17.9% is an appropriate weighted cost of capital (2014: 15.6%).

Future cash flows are based on five year forecasts prepared by management, and these forecasts have been projected based on actual operating results. Cash flows beyond the five year period are extrapolated using a constant revenue growth rate of 2.1% which does not exceed the long term average growth rate for the CGU business.

In respect of publishing intangibles, directors' have not undertaken impairment testing at reporting date due to the fact that the Morrison Media business was acquired during December 2014.

Directors' have reviewed these assets for indicators for impairment and have determined that no impairment is required to be made to this class of assets at reporting date. Formal impairment testing for the publishing CGU will be undertaken at 30 June.

Notes to the Financial Statements
for the half year ended 31 December 2014

5. Intangible Assets Cont'd

Fair Value Less Costs to Sell (FVLCS) for the Broadcasting CGU

Fair value less costs to sell is determined by reference to an independent valuation report, which was dated 20 February 2015.

This valuation adopted the following assumptions:

(i) Use of a primary valuation methodology is appropriate as an input to estimate fair value.

(ii) Using the excess earnings method and comparing EBITDA multiples used with other comparable listed companies and merger / acquisition transactions is a valid approach;

(iii) It is appropriate to include a contributory asset charge in recognition of the economic rent for the use of other assets that contribute to the operating profit of the CGU; and

(iv) Using of a terminal growth rate of 2.1% at the end of the projection period and a post tax discount rate of 12.5% is appropriate.

Following consideration of each of these methodologies, directors' confirm that the valuation of radio licences is at least equal to the recoverable value and no impairment is required to be made to these assets.

In addition to the values shown above for the broadcasting and publishing CGU's, trademarks have a carrying value of $259 thousand at reporting date.

6. Borrowings

PNW has executed a new facility agreement with Commonwealth Bank of Australia (CBA).

Funding provided under the facility agreement (together with existing cash reserves) has been utilised to fund the acquisition of the Morrison Media business. The facilities comprise of:

- $7.0 million loan facility (**Facility A**); and
- $1.6 million working capital facility (**Working Capital Facility**).

The new facilities have variable interest rates based upon Bank Bill Swap Rate plus a margin.
A commitment fee may be payable in relation to committed but undrawn funds under the facilities.

Facility A is an interest only facility, and will be required to be paid in full after three years and the Working Capital Facility is subject to annual review.

Financial undertakings

The agreement under which the facilities have been made available contains financial undertakings typical for facilities of this nature. The undertakings include financial undertakings which will be tested at financial year end and financial half-year end based on the preceding 12 month period.

The financial undertakings relate to both leverage and interest coverage. These undertakings include:
30 June financial statements to be provided by 30 November of the calendar year;

- management accounts to be provided within 45 days of the end of the calendar quarter;
- compliance certificate signed by two directors provided within 45 days of calendar quarter;
- forecasts and capital expenditure for the next year to be provided by 30 June; and
- ASX notices to be advised within 7 days of release to the market.

Notes to the Financial Statements
for the half year ended 31 December 2014

7. Equity Securities Issued

Issues of Ordinary Shares during the half year	***31 December 2014***		*31 December 2013*	
	000's	**$'000's**	000's	$'000's
Issuance of shares – 30 October 2014 (EESP)	**111**	**30**	127	26
Issuance of shares – 12 December 2014 (Placement)	**13,333**	**4,000**	-	-
Issuance of shares – 18 December 2014 (Share Purchase Plan)	**3,390**	**1,000**	-	-
	16,834	**5,030**	127	26
Issues (buy backs) of Ordinary Shares during the half year				
Ordinary shares issued (bought back) – number / value	**50**	**(11)**	294	(61)

8. Segment Information

	31 December 2014 $'000's			31 December 2013 $'000's			Total $000's	
	Broadcasting	**Publishing**	**Head Office**	Broadcasting	Publishing	Head Office	**2014**	2013
Segment Revenues	**7,725**	**1,791**	**23**	7,240	438	25	**9,539**	7,703
Segment profit / (losses)	**1,233**	**747**	**(1,612)**[1]	1,017	66	(298)	**368**	785
Segment Assets	**15,450**	**1,385**	**14,783**	7,825	483	8,985	**31,618**	17,293
Segment Liabilities	**1,538**	**639**	**9,991**	1,790	295	322	**12,168**	2,407

9. Dividends Paid and Proposed

	31 December 2014 $'000's	*31 December 2013 $'000's*
Dividends paid / payable were as follows		
Final dividend paid for the financial year ended 30 June	**477**	532
	477	532
Dividends paid in cash during the half-year were as follows:		
Paid in cash	**477**	532
Final dividend paid in the half year period - cents per share	**0.90**	1.00
Total dividend paid during the half year period	**477**	532
Interim dividend declared for half year – cents per share	**1.25**	0.70

Cash component of franked interim dividend not accrued in the current half year is $612 thousand.

[1] Includes transaction costs incurred of $1,224 thousand for the purchase of the Morrison Media business in December 2014.

Notes to the Financial Statements
for the half year ended 31 December 2014

10. Business Combinations

Morrison Media

In December 2014, Lifestyle Media Services Pty Ltd (a subsidiary of Pacific Star Network Limited) acquired the business of Morrison Media Services Pty Ltd for total consideration transferred of $10,930,000 including working capital adjustments.

The acquisition will expand Pacific Star's product offering and provide diversification of earnings.

The acquired business contributed revenues of $1,565 thousand and profit after tax of $542 thousand to the consolidated entity for December 2014.

If the acquisition had occurred on 1 July 2014, the half year contribution would have been revenues of $5,330 thousand and a profit after tax of $931 thousand.

The values identified below in relation to the acquisition of Morrison Media are provisional at 31 December 2014.

Details of the acquisition are as follows:

	Provisional Fair Value $000's
Cash and cash equivalents	30
Trade receivables	1,218
Other receivables	75
Plant and equipment	253
Trademarks and intangibles	157
Trade payables	(664)
Other payables	(60)
Employee benefits	(168)
Prepaid subscriptions	(562)
Net assets acquired	279
Goodwill	10,651
Acquisition date provisional fair value of total consideration transferred	**10,930**
Representing	
Cash paid to vendor	10,841
Net working capital paid to vendor	89
Total consideration	**10,930**

The purchase of the business was settled in December 2014 and the company has consolidated Morrison Media from the beginning of the month due to the impact from acquisition date to the beginning of the month not being material.

Notes to the Financial Statements
for the half year ended 31 December 2014

11. Contingent Liabilities

As at the reporting date, there were no material claims or disputes of a contingent nature against the Company and its subsidiaries.

12. Changes in the composition of the consolidated entity

Other than the acquisition of the Morrison Media business which is noted elsewhere in this half year report, there were no changes in the composition of the consolidated entity.

13. Related party disclosures

Arrangements with related parties continue in operation and have not changed since the last reporting date.

14. Events subsequent to reporting date

There were no significant events that occurred subsequent to reporting date.