

## Pacific Star Network Limited

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**ABN 20 009 221 630**

# APPENDIX 4E

## Preliminary Final Report for Year Ended 30 June 2014

### Table of Contents

Results for Announcement to the Market	2
Directors' Report	3
Statement of Profit or Loss and Other Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10

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# Pacific Star Network Limited

PRELIMINARY FINAL REPORT 2014

## Appendix 4E Results for announcement to the market

### 1. Company Details

Name of Entity:	Pacific Star Network Limited
ABN	20 009 221 630
Full Year Ended (current period)	30 June 2014
Full Year Ended (previous period)	30 June 2013

### 2. Results for announcement to the market

			\$000'
2.1 Revenues from continuing activities	Up 1.1%	to	15,229
2.2 Profit from ordinary activities before tax attributable to members	Up 36.7%	to	1,453
2.3 Profit from continuing operations after tax attributable to members	Up 29.5%	to	953
2.4 Dividends (distributions)	Amount per security	Franked amount per security	
Final dividend declared (Conduit Foreign Income – Nil)	0.90 cents	Nil	
Previous corresponding period (Conduit Foreign Income – Nil)	1.00 cents	Nil	
Interim dividend declared (Conduit Foreign Income – Nil)	0.70 cents	Nil	
2.5 Record date for determining entitlement date to the dividend	05 September 2014		
2.6 Brief explanation / notes	<p>This report is to be read in conjunction with the attached report.</p> <p>The financial statements supporting this report are in the process of being audited.</p> <p>The Company is maintaining a full year dividend of 1.6 cents (2013: 1.59 cents).</p>		

### 3. Net Tangible Asset (NTA) Backing

	30 June 2014	30 June 2013
Net tangible asset backing per ordinary security	11.0 cents	10.9 cents
Net asset backing per ordinary security	28.1 cents	28.0 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	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
DRB Melbourne Pty Ltd	18.2%	18.2%	(17)	(10)



# Pacific Star Network Limited

PRELIMINARY FINAL REPORT 2014

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## Directors' Report

Dear Shareholder,

The directors of Pacific Star Network Limited, the consolidated entity, submit herewith the financial report for the year ended 30 June 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:

<i>Name</i>	<i>Particulars</i>
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

### 2014 Highlights

- Profit before tax was up 36.7% to \$1.45 million for the financial year. This result was achieved through tight cost management resulting in a 1.6% reduction in day to day operating costs over the period.
- The Melbourne metropolitan broadcast advertising market grew 1.7% to \$211 million for the 2013-14 financial year and our radio stations continued to maintain a 6.5% share of this market (2013: 6.5%).
- Launched a three year capital expenditure program to invest over \$1.0 million in upgrading, maintaining and protecting key infrastructure assets including transmitters, websites, process improvements, cloud based solutions and contingency planning.
- Digital radio celebrates five years on air this month. DAB+ digital radio is available in Sydney, Melbourne, Brisbane, Adelaide and Perth with trials in Canberra and Darwin. Nearly 1.6 million DAB+ digital radio devices have been sold since launch. The Company continues to invest and promote digital radio through its 18.2% shareholding in Melbourne Digital Radio Broadcasting Pty Ltd.
- In early 2014, the radio industry welcomed Gfk as the new provider of Radio Audience Measurement in Australia across the five metropolitan markets; Sydney, Melbourne, Brisbane, Adelaide and Perth plus Newcastle, Canberra and Gold Coast. Over 60,000 people will continue to be surveyed each year.

The contract has been awarded to Gfk for a five year period and they have introduced a number of innovative solutions to survey radio listeners including the use of electronic diaries to survey 20% of respondents, fieldwork interviewers using tablet devices to capture respondent data and conducting more in depth lifestyle surveys to gain insights into listeners' lifestyles and purchasing habits/intentions.

### Operating Results

- Strong EBITDA result of \$1.87 million, up 18.6% on the comparative period (2013: \$1.57 million).  
This result was at the top end of the earnings guidance of \$1.6-1.9 million provided with our half year results released to the market in late February 2014.
- Profit before tax was \$1.45 million, up 36.7% on the comparative period (2013: \$1.06 million).
- Full year revenue increased 1.1% to \$15.23 million (2013: \$15.06 million).
- Operating costs at \$13.8 million were down 1.6% on the comparative period (2013: 14.0 million).



# Pacific Star Network Limited

PRELIMINARY FINAL REPORT 2014

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## Operating Results Cont'd

- Operating cash flows at \$2.17 million increased by 11.8% on the comparative period (2013: \$1.94 million).

## Review of Operations

- The full year result shows the business recording marginal growth in revenue together with a significantly increased EBITDA. This is a credible result in the context of the tough and prevailing business conditions over the past twelve months.
- The radio division continued to perform strongly, delivering a profit result of \$2.03 million, representing a 31.1% increase on the previous year (see note 5) and 1116SEN, held its position in the market with an impressive result from our loyal direct sales team.
- An important issue facing the commercial radio broadcasting sector is an ongoing dispute between the commercial radio industry and the Phonographic Performance Company of Australia (PPCA) who represent the major record companies and Australian recording artists. In essence, PPCA want radio stations to pay an additional licence fee for streaming broadcasts in addition to the one already paid to the PPCA for broadcasting on radio. The PPCA position is essentially seeking to limit listener's options as technology evolves by seeking a ruling that radio stations pay more licence fees for using different broadcast channels and it will lead to higher operating costs in the event that PPCA is successful in its claim.

Commercial Radio Australia (CRA), the industry body representing the commercial radio industry is defending this claim against the PPCA. The significant legal costs involved in defending this claim are shared amongst all radio stations including the 1116SEN and 1377 MyMP radio stations.

## Outlook

- In an environment of declining consumer confidence and negative predictions on future advertising spending, there is no doubt that we are operating in a highly competitive market. Notwithstanding this, our view is that the core business will continue to grow organically with single digit growth in revenue.
- Clients are diversifying marketing and sales spend into a wider range of channels and disciplines, and to remain competitive, this business will need to evolve its offerings and capabilities to meet the changes in technology and channel delivery.
- Advertisers want solutions that target messages to target audiences and our business strategy is focused on providing clients with a network of advertising opportunities in radio, publishing, online and mobile mediums.
- For the reasons stated above, our view is that multi channel distribution of content will be a key driver for future growth and your Board believes that a strategy of investing in 'media for communities' will deliver tangible results that will in turn generate long term sustainable returns to shareholders.
- In May, your Board welcomed Wyllie Funds Management Pty Ltd to the share register with a 12% shareholding and the Herszberg family company interests further increased their holding from 8.1% to 14.3%. These holdings were acquired from The Opal Trust, who held an 18.3% shareholding.

The Board welcomes the new shareholders and extends its appreciation and thanks to the representatives of The Opal Trust for their longstanding loyalty to the Company.



# Pacific Star Network Limited

PRELIMINARY FINAL REPORT 2014

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## Dividends

Directors' have declared an unfranked final dividend of 0.9 cents per share maintaining the full year dividend at 1.60 cents (2013: 1.59 cents).

Record date for determining entitlement to the dividend is 5<sup>th</sup> September and payment date is scheduled for 26<sup>th</sup> September 2014.

Dividends will continue to be paid unfranked until an adequate reserve of franking credits is established.

## 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.

Signed in accordance with a resolution of the Directors.

A handwritten signature in blue ink, appearing to read "Andrew Moffat". The signature is fluid and cursive, with a large initial 'A' and 'M'.

Andrew Moffat  
Chairman

Melbourne, 22 August 2014

## Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Financial Year Ended 30 June 2014

	<i>Notes</i>	<b>2014 \$'000</b>	<b>2013 \$'000</b>
<b>REVENUE</b>		<b>15,229</b>	15,063
Sales and marketing expenses		<b>(2,959)</b>	(3,057)
Occupancy expenses		<b>(637)</b>	(624)
Administration expenses		<b>(2,780)</b>	(2,977)
Technical expenses		<b>(6,649)</b>	(6,653)
Corporate expenses		<b>(703)</b>	(633)
Finance costs		<b>(31)</b>	(46)
Share of net loss of associate accounted for using the equity method		<b>(17)</b>	(10)
<b>EXPENSES</b>		<b>(13,776)</b>	(14,000)
<b>PROFIT BEFORE INCOME TAX</b>		<b>1,453</b>	1,063
Income tax expense	<b>2</b>	<b>(500)</b>	(327)
<b>PROFIT FOR THE YEAR AFTER INCOME TAX</b>		<b>953</b>	736
Other comprehensive income net of tax		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>953</b>	736
<b>EARNINGS PER SHARE</b>			
Basic (cents per share)	<b>3</b>	<b>1.8</b>	1.4
Diluted (cents per share)	<b>3</b>	<b>1.8</b>	1.3

The accompanying notes form part of these financial statements

# Pacific Star Network Limited

PRELIMINARY FINAL REPORT 2014

## Consolidated Statement of Financial Position as at 30 June 2014

	Notes	2014 \$'000	2013 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		4,056	3,394
Trade and other receivables		2,577	2,883
Prepayments		521	506
<b>TOTAL CURRENT ASSETS</b>		<b>7,154</b>	<b>6,783</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,709	1,671
Deferred tax asset		381	485
Receivables from associate		231	228
Investments accounted for using the equity method		133	150
Intangibles	4	9,083	9,125
<b>TOTAL NON-CURRENT ASSETS</b>		<b>11,537</b>	<b>11,659</b>
<b>TOTAL ASSETS</b>		<b>18,691</b>	<b>18,442</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		2,136	2,294
Income tax		449	128
Provisions		516	408
Borrowings		584	555
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,685</b>	<b>3,385</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions		73	93
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>73</b>	<b>93</b>
<b>TOTAL LIABILITIES</b>		<b>3,758</b>	<b>3,478</b>
<b>NET ASSETS</b>		<b>14,933</b>	<b>14,964</b>
<b>EQUITY</b>			
Issued capital		16,444	16,531
Share based payment reserve		674	634
Accumulated losses		(2,185)	(2,201)
<b>TOTAL EQUITY</b>		<b>14,933</b>	<b>14,964</b>

The accompanying notes form part of these financial statements

## Pacific Star Network Limited

PRELIMINARY FINAL REPORT 2014

### Consolidated Statement of Changes in Equity for the Financial Year ended 30 June 2014

	Issued Capital	Share Based Payment Reserve	Accumulated Losses	Total
	\$'000	\$'000	\$'000	\$'000
<b>TOTAL EQUITY AT 1 JULY 2013</b>	<b>16,531</b>	<b>634</b>	<b>(2,201)</b>	<b>14,964</b>
Profit after income tax	-	-	953	953
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	953	953
<b>Transactions with owners in their capacity as owners</b>				
Share buy-back scheme	(113)	-	-	(113)
Dividends paid	-	-	(911)	(911)
Issue of share capital <sup>1</sup>	26	-	(26)	-
Share options granted to staff	-	40	-	40
<b>TOTAL EQUITY AT 30 JUNE 2014</b>	<b>16,444</b>	<b>674</b>	<b>(2,185)</b>	<b>14,933</b>
<b>TOTAL EQUITY AT 1 JULY 2012</b>	<b>52,381</b>	<b>573</b>	<b>(38,071)</b>	<b>14,883</b>
Profit after income tax	-	-	736	736
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	736	736
<b>Transactions with owners in their capacity as owners</b>				
Share buy-back scheme	(104)	-	-	(104)
Dividends paid	-	-	(612)	(612)
Issue of share capital <sup>2</sup>	29	-	(29)	-
Reduction of share capital	(35,775)	-	35,775	-
Share options granted to staff	-	61	-	61
<b>TOTAL EQUITY AT 30 JUNE 2013</b>	<b>16,531</b>	<b>634</b>	<b>(2,201)</b>	<b>14,964</b>

The accompanying notes form part of these financial statements

<sup>1</sup> Issued 126,828 ordinary shares for nil consideration under the Company's Exempt Employee Share Plan (EESP) in the 2013-14 financial year.

<sup>2</sup> In the previous financial year, issued 145,000 ordinary shares for nil consideration under the Company's Exempt Employee Share Plan (EESP).



# Pacific Star Network Limited

PRELIMINARY FINAL REPORT 2014

## Consolidated Statement of Cash Flows for the Financial Year Ended 30 June 2014

	Inflows / (Outflows)	
	2014 \$'000	2013 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	17,449	17,298
Payments to suppliers and employees	(15,270)	(15,400)
Interest received	92	85
Interest and other costs of finance paid	(31)	(47)
Income taxes paid	(75)	-
<b>Net cash provided by operating activities</b>	<b>2,165</b>	<b>1,936</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for property, plant and equipment	(486)	(52)
Loans to associate entity	(3)	230
<b>Net cash provided by / from investing activities</b>	<b>(489)</b>	<b>178</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	228	-
Repayment of borrowings	(199)	(218)
Dividends paid	(911)	(612)
Payment for buy back of equity securities	(132)	(104)
<b>Net cash used in financing activities</b>	<b>(1,014)</b>	<b>(934)</b>
<b>NET INCREASE IN CASH EQUIVALENTS</b>	<b>662</b>	<b>1,180</b>
<b>CASH / CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>3,394</b>	<b>2,214</b>
<b>CASH / CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>4,056</b>	<b>3,394</b>

The accompanying notes form part of these financial statements

## Notes to the Financial Statements for the Year Ended 30 June 2014

### 1. Summary of significant accounting policies

This preliminary financial report has been authorised for issue by the directors and is presented in the Australian currency.

#### Statement of Compliance

The preliminary report has been prepared in accordance with ASX Listing Rule 4.3A, the disclosure requirements of ASX Appendix 4E, and in accordance with the recognition and measurement requirements but not the disclosure requirements of Accounting Standards and Australian Accounting Interpretations and the Corporations Act 2001. Accounting Standards includes Australian equivalents to International Financial Reporting Standards (A-IFRS). The preliminary final report does not include notes of the type normally included in an annual report.

#### Basis of Preparation

The preliminary report is to be read in conjunction with the 2013 Annual Financial Report, the December 2013 half year report and any public announcements made by Pacific Star Network Limited and its controlled entities during the year in accordance with the continuous disclosure obligation arising under ASX Listing Rules.

The preliminary final report has been prepared on the basis of historical cost. 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 accounting policies and methods of computation adopted in the preparation of the preliminary final report are consistent with those adopted and disclosed in the Company's Annual Financial Report for the year ended 30 June 2013.

#### 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 reporting period.

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

#### 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.

#### Critical accounting judgements and key sources of estimation uncertainty

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 business makes certain estimates and assumptions concerning the future, which by definition will seldom represent actual results.

Estimates and assumptions have been utilised for the impairment testing of intangible assets (radio licences and mastheads) with indefinite lives.

These estimates incorporate inherent risks as they are based on future events that could have a material impact on the value of assets and liabilities in this financial year.

## Notes to the Financial Statements for the Year Ended 30 June 2014

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>2. Income Tax</b>		
a) Income tax expense for the financial year differs from the amount calculated in the net result from continuing operations. The difference is reconciled as follows:		
Profit before income tax expense	1,453	1,063
Income tax expense calculated at 30%	436	319
Non allowable expenses	24	19
Deductible expenses / non assessable income	-	(11)
	<b>460</b>	<b>327</b>
Income tax – under provision for 2011-12	32	-
Income tax – under provision for 2012-13	8	-
Income tax expense	<b>500</b>	<b>327</b>
b) Income tax expense		
Current tax	395	128
Deferred tax	105	199
	<b>500</b>	<b>327</b>
c) Deferred tax assets not brought to account		
Non-utilised tax losses for which no tax deferred asset is recognised	14,994	14,994
Potential tax benefits at 30%	-	-
<b>3. Earnings Per Share</b>		
<i>Weighted average number of ordinary shares on issue for calculation of:</i>	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Basic earnings per share	<b>53,192</b>	53,675
Diluted earnings per share	<b>53,981</b>	<b>55,352</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit for the full year	<b>953</b>	736
Basic earnings per share (cents per share)	<b>1.8</b>	1.4
Diluted earnings per share (cents per share)	<b>1.8</b>	1.3

## Notes to the Financial Statements for the Year Ended 30 June 2014

### 4. Intangible Assets

Radio licences are classified as one cash generating unit (CGU) for impairment testing and segment reporting purposes. Licences are tested annually for impairment at CGU level.

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

- Radio 1116AM (SEN) / 1377AM (MyMP) CGU – \$8,169 thousand; and
- Inside Football publication CGU generating unit - \$797 thousand.

In the opinion of directors, 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 utilising cash flow projections based on financial budgets approved by the board for the subsequent year and these projections form the basis for future cash flow projections.

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 2.5% (2013: 2.5%);
- (ii) Pre tax discount rate of 15.6% is an appropriate weighted cost of capital (2013: 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 2.5% which does not exceed the long term average growth rate for the CGU business.

Directors' confirm that these valuations are at least equal to the recoverable value and no impairment is required to be made to these assets. The trademarks relate to the radio CGU.

#### Fair Value Less Costs to Sell (FVLCS)

Fair value less costs to sell is determined by reference to an independent valuation report.

As there have been no radio licence transactions in the market since the date of the last valuation report completed early in the 2013 calendar year, directors' have determined that it is appropriate to continue relying on the previous valuation as a basis for determining current fair value.

This valuation adopted the following assumptions:

- (i) That the 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) That 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 a terminal growth rate of 2.5% at the end of the projection period and a post tax discount rate of 12% is appropriate.

## Notes to the Financial Statements for the Year Ended 30 June 2014

### 5. Segment Information

	30 June 2014 \$'000			30 June 2013 \$'000			Total \$000	
	Radio	Print	Head Office	Radio	Print	Head Office	2014	2013
Segment Revenues	<b>14,287</b>	<b>890</b>	<b>52</b>	14,031	982	50	<b>15,229</b>	15,063
Segment profit / (losses)	<b>2,035</b>	<b>69</b>	<b>(651)</b>	1,552	64	(554)	<b>1,453</b>	1,062
Segment Assets	<b>9,876</b>	<b>495</b>	<b>8,320</b>	7,872	522	10,048	<b>18,691</b>	18,442
Segment Liabilities	<b>2,921</b>	<b>303</b>	<b>534</b>	2,834	430	214	<b>3,758</b>	3,478

### 6. Dividends Paid and Proposed

	2014 \$'000	2013 \$'000
<b>Dividends paid / payable were as follows – unfranked:</b>		
Interim dividend paid for half year ended 31 December	<b>373</b>	317
Final dividend paid / payable for year ended 30 June	<b>538</b>	295
	<b>911</b>	612
<b>Dividends paid in cash were as follows:</b>		
Paid in cash	911	612
Interim dividend paid for half year – cents per share	0.70	0.59
Final dividend paid / payable for full year - cents per share	0.90	1.00
Total dividend paid / payable	1.60	1.59

Final dividend not accrued in the financial statements is \$531 thousand (2013: \$535 thousand).

### 7. Contingent Liabilities

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

### 8. Changes in the composition of the consolidated entity

There were no changes in the composition of the consolidated entity.

### 9. Related party disclosures

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



## Pacific Star Network Limited

PRELIMINARY FINAL REPORT 2014

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### Notes to the Financial Statements for the Year Ended 30 June 2014

#### 10. Events subsequent to balance sheet

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

#### 11. Audit

This report is based on financial statements that are in the process of being audited.