PACIFIC STAR NETWORK LIMITED
ABN 20 009 221 630

APPENDIX 4D

Interim Financial Report for half year ended 31 December 2016

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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 2016.

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 2016 31 December 2015

2. Results for announcement to the market

		Change %		31 December 2016 $000's	31 December 2015 $000's
2.1	Revenues from continuing activities	Down 13%	to	**11,628**	13,336
2.2	EBITDA (underlying)*	Down 31%	to	**1,601**	2,318
2.3	Net profit from ordinary activities before tax attributable to members	Down>100%	to	**(3,784)**	1,389
2.4	Net profit from ordinary activities after tax attributable to members	Down>100%	to	**(4,082)**	834
2.5	Significant expense*	Down>100%	to	**(4,714)**	(217)
2.6	Earnings per Share – basic cents (NPAT)	Down>100%	to	**(5.7)**	1.2
2.7	Earnings per Share – basic (cents)* (underlying EBITDA)	Down 33%	to	**2.2**	3.3

* = Non-AIFRS item

Note:

The information contained in this Appendix 4D 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 2016 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*.

Appendix 4D cont'd

2. Results for announcement to the market cont'd

2.8 Significant Items

At reporting date, the Company incurred costs of $4.714 million related to restructuring the business and a review of the recoverable value of intangible assets.

These costs are added back to determine underlying EBITDA* for the half year.

Significant costs recognised at the half year include the following:

	$000's
Restructuring costs	214
Impairment of Inside Football masthead	797
Impairment of goodwill arising on acquisition of Morrison Media	3,703
Total	**4,714**

* = Non-AIFRS item

Basis for Significant Items

a) Restructuring costs of $213,589 were booked at the half year (HY2016: $216,864). These represent costs incurred in restructuring operations and relate to redundancy costs and writing off previously capitalised website costs due to the ongoing business need to evolve and keep systems up to date.

   These costs were incurred to allow the business to move to a more efficient functional operating structure and the Company expects this restructuring to continue into the second half of the financial year with the benefits starting to be leveraged in FY18.

b) Under Australian Accounting Standards, The Company must assess the recoverable amount of each of its Cash Generating Units ('CGU's') at reporting date. The recoverable amount is determined based on a value in use calculation, where an asset's value is determined by discounting the future cash flows expected to be generated from the continuing use of the CGU after an appropriate allocation of corporate costs.

   Directors' reviewed broadcasting and publishing CGU assets for recoverable value and impairment indicators at the reporting date and determined that:

   - No impairment is required to be made in respect of the broadcasting CGU assets; and
   - Having assessed the ongoing trading conditions in the publishing CGU, directors formed the opinion that these assets are impaired due to:
     - a decision to transition the publication of Inside Football magazine from a weekly to a monthly publication and possibly over the longer term to become a digital only publication, will likely impact projected cash flows until a monthly or digital format is well established; and
     - the trading performance and cash flows from magazine copy sales in the first half of the financial year is tracking below budget and with sales in the second quarter of the year a significant contribution, directors have formed the view that there is evidence of impairment and hence they consider it prudent and conservative to impair the carrying value of these assets at reporting date.

Appendix 4D cont'd

2. Results for announcement to the market cont'd

2.8 Significant Items cont'd

Based on this analysis at the reporting period, an impairment loss of $4.5 million has been recognised for the Publishing CGU as the expected future cash flows from this business unit are currently forecast to be insufficient to support the carrying values of its intangibles and other assets.

By booking this non cash impairment at reporting date, the Company is taking a prudent and conservative view of the future benefits to be realised from this business unit in its current form.

The Publishing CGU impairment was allocated as follows:

	$000's
Mastheads	797
Goodwill	3,703
	4,500

2.9 Financial Performance

Revenues for the half year reduced by $1.708 million (13%) to $11.628 million with an underlying EBITDA of $1.6 million and a net profit after tax result of $631,985 (before taking account of significant items for the half year).

The decision in August 2016 to cease production of some magazine titles is a contributing factor in explaining lower revenues and operating costs in the publishing segment at the half year and further analysis on this is provided in the Review of Operations.

	31 December 2016 $000's	31 December 2015 $000's
Broadcast revenue	**7,721**	7,832
Publishing revenue	**3,781**	5,382
Other revenue	**126**	122
Revenue from continuing operations	**11,628**	13,336
Underlying EBITDA*	**1,601**	2,318
Depreciation / amortisation	**(522)**	(556)
Earnings before interest, tax and significant items*	**1,079**	1,762
Interest received	**-**	16
Interest paid	**(149)**	(172)
Net profit before tax and significant items*	**930**	1,606
Income tax	**(298)**	(555)
Net profit before significant items*	**632**	1,051
Significant items	**(4,714)**	(217)
Net (loss) / profit after tax as reported	**(4,082)**	834

* = Non-AIFRS item

Dividend per share	**0.6 cents fully franked**	1.35 cents fully franked

Appendix 4D cont'd

2. Results for announcement to the market cont'd

2.10 Dividends (distributions)

	Amount per security	Franked amount per security
Interim dividend declared (Conduit Foreign Income – Nil)	0.60 cents	100%
Previous corresponding period (Conduit Foreign Income – Nil)	1.35 cents	100%

2.11 Record date for determining entitlement date to dividend	31 March 2017
2.12 Dividend payment date	28 April 2017

3. Net Tangible Asset (NTA) Backing

	31 December 2016	31 December 2015
Net tangible asset backing per ordinary security	(2.6) cents	(1.8) cents
Net asset backing per ordinary security	18.8 cents	26.6 cents

4. Details of associates and joint venture entities

Name of associate	Reporting entity's percentage holding		Contribution to net (loss) / profit in $000's	
	31 December 2016 %	31 December 2015 %	**31 December 2016 $000's**	31 December 2015 $000's
Digital Radio Broadcasting Melbourne Pty Ltd	18.2%	18.2%	(3)	Nil

5. Funding

	31 December 2016 $000's	30 June 2016 $000's
Cash	**1,735**	1,908
Borrowings	**(5,750)**	(5,750)
Net (debt) / cash	**(4,015)**	(3,842)
Total Equity	**21,538**	21,508
Gearing[1]	**23%**	22%

At reporting date the Company was fully compliant with banking covenants.

[1] Net Debt / (Net Debt + Shareholder Funds)

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 2016.

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 period are:

Name	**Particulars**
Ronald Hall	Appointed Non-Executive Director on 13 February 2002
Andrew Moffat	Appointed Non-Executive Director on 1 September 2004 Resigned 24 November 2016
Gary Pert	Appointed Non-Executive Director on 1 July 2008
Colm O'Brien	Appointed Non-Executive Director on 10 September 2015
John Bertrand AO	Appointed Non-Executive Director on 24 November 2016
Peter Quattro	Appointed Non-Executive Director on 7 December 2016

Principal activities

Pacific Star Network Limited is a media company with interests in specialised niche audiences in both broadcasting (SEN, Classic Rock, Aussie, Koool and Rythmos) and in publishing (frankie, Smith Journal, Spaces, Slow and Inside Football magazine) and associated digital assets.

The company's strategy is to create and distribute diverse content for niche target communities.

Business Overview

- The business continues to transform its underlying assets and H1 saw significant progress on restructuring of resources across all assets. Whilst there was an impact on both top line revenue and underlying EBITDA, I am pleased with the refocus that is occurring.
- We have exited our publishing assets in the surfing sector to ensure our core magazines within Frankie Press can benefit from planned investment in new resources and technology to further our digital and subscription footprint.
- Within our Broadcast division we secured another six years of AFL Broadcast rights, which was an important renewal for the group and key to our decision to invest in a number of new talent for on-air programming. The new "line-up" are now in situ and with the return of the AFL Season we are pleased with early indications from both listeners and advertisers.
- Our management team within Broadcast continues to improve with a number of key hires undertaken and planned, this in particular will assist in driving greater revenue from our key asset 1116SEN.
- The broadcast business performed in line with forecast for the first half generating an underlying EBITDA result of $1.202 million (HY 2016: $1.391 million).
- The publishing business generated an underlying EBITDA of $873,625 (HY 2016: $1.251 million). This business derives revenue from consumers buying magazines and client advertising. The newsagency channel for consumer magazines is challenging with year on year revenues down 18%. In comparison our titles were down 3.3% year on year, a significant improvement on the industry average.

Directors' Report

Business Overview cont'd

We continue to focus on digital transition and increases in subscriptions offering including a planned roll out of a digital strategy and new subscription platform later this year.

- In November 2016, the Board was pleased to announce the appointment of John Bertrand AO as its new non-executive Chairman. A World Champion and Olympic bronze medalist, over a 25 year period, John represented Australia in two Olympic Games and five America's Cups. John is an international sportsman, businessman and philanthropist and over a 30 year career has successfully built companies in the marine industry, property development and the digital media industries.
- In December 2016, the Board welcomed Peter Quattro back to the Board. Peter was previously a director from 2003 - 2009. Peter has a strong standing and reputation in the media sector which he has built over two decades of strong and consistent achievements. In recent years, Peter has overseen significant growth in his private companies, which include an independent advertising and media agency that occupies a prime niche in that business sector, a commercial property company and various other business interests.
- The Company's Chairman for over 10 years, Andrew Moffat retired as a non-executive director at the conclusion of the Company's AGM on 24 November 2016. On behalf of the Board, I wish to extend our thanks to Andrew for providing direction and steering the business through tough times and we wish him and his family all the best for the future.

Review of Operations

Financial Performance	**Change %**	**31 December 2016 $'000's**	31 December 2015 $'000's
Revenue	Down 13%	**11,628**	13,336
Underlying EBITDA*	Down 31%	**1,601**	2,318
Net (loss) / profit / after tax attributed to members	Down>100%	**(4,082)**	834
Significant expense*	Down>100%	**(4,714)**	(217)
Earnings per share - basic cents (NPAT)	Down>100%	**(5.7)**	1.2
Earnings per share - basic cents (underlying EBITDA)*	Down 33%	**2.2**	3.3

* = Non-AIFRS item

- The Company reports a net loss after tax of $4.082 million compared to the comparative half year period of profit of $834,113. The underlying net profit after tax (excluding the impact of significant costs associated with restructuring the business is $631,985 (HY 2016: $1.051 million).
- EBITDA was a loss of $3.113 million, down >100% on the comparative period (HY 2016: $2.101 million).
- Underlying EBITDA (excluding significant costs) was $1.601 million, down 31% on the same period last year (HY 2016: $2.318 million).

Directors’ Report Cont’d

Review of Operations cont’d

- Revenue at $11.628 million for the half year was down $1.708 million (13%) on the comparative period (HY 2016: $13.336 million). Of the $1.708 million in lower revenue over the comparative period, the revenue impact from discontinuing publications this half year was $941,000.
- Operating costs at $10.912 million were $1.035 million (9%) lower than the comparative period. Of the $1.035 million lower operating costs over the comparative period, $948,000 related to discontinued publications.
- Operating cash flows at $845,572 were up 22% on the comparative period (HY 2016: $692,913).
- Estimated taxable income at half year is $994,000, income tax expense is $297,793 and the effective tax rate is 30%. The effective tax rate recognise’s the tax effect of movements in temporary differences.

Outlook

- The Company is continuing to invest in media assets with a number of initiatives planned for the remainder of the year and your Board anticipates these will generate returns over the longer term.

  The Company will keep the market and shareholders informed of any such developments.
- 1116SEN our 24/7 sports radio station launched new programming changes from January 2017 including a new breakfast team of Gary Lyon, Hamish McLachlan and Tim Watson.

  We see these changes as the building blocks to becoming stronger and more competitive in the marketplace and anticipate revenue upside in the next financial year.
- In difficult trading conditions, frankie’s readership continues to grow, recording a 7% year on year increase to 340,000[2] readers. It is the number one Australia fashion magazine outperforming Vogue, Marie Claire, Instyle, Elle and Harpers’s Bazaar. Publishing is facing challenges in the newsagency channel with store closures, declining foot traffic and newsagents increased focus on the gift category.
- The Company reaffirms its earnings guidance that EBITDA will be approximately $3 million in FY17 (FY16: $3.45 million), post any ongoing reinvestments in the business, the market’s response to new programming changes being introduced in broadcasting from January 2017 and the publishing business holding its ground against current market conditions.

Dividends

Directors’ have declared a fully franked interim dividend of 0.6 cents per share (HY 2016: 1.35 cents).

Whilst the interim dividend is lower than the comparative period, it continues to represent a healthy fully franked return to shareholders relative to competitors in the market. It also reflects the increased momentum within the business to invest in new resources, across people and technology to drive the business to increased returns for shareholders in the longer-term

To provide shareholders with a choice, your Board has launched a Dividend Reinvestment Plan (DRP) to provide shareholders with the opportunity to take dividends in a form other than cash.

[2] Roy Morgan Australian Readership, 12 months to December 2016

Directors' Report Cont'd

Dividends cont'd

There is no requirement for shareholders to participate in the DRP, but should they opt to do so they can choose to take some or all dividends as shares at a 5% discount.

By paying dividends in the form of shares, the Company has the flexibility to use its cash resources to either pay down debt or invest back into the business.

Record date for determining entitlement to the dividend is 31 March 2017 with the payment date extended this year to 28 April 2017 to provide shareholders with sufficient time to consider participating in the Dividend Reinvestment Plan (DRP).

Rounding of Amounts

In accordance with ASIC Legislative Instrument 2016/191, 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 11 and forms part of the Directors' Report for the half year ended 31 December 2016.

Signed in accordance with a resolution of the Directors'.

John Bertrand, AO
Chairman

Melbourne, 24 February 2017

Directors' Declaration

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

a) the financial statements and notes 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 2016, 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

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'

John Bertrand, AO
Chairman

Melbourne, 24 February 2017

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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 2016, 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, 24 February 2017

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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 2016, 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 review 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 2016 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 annual financial report.

A review of a 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 Australian Auditing 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:

(i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO East Coast Partnership

BDO

David Garvey

David Garvey
Partner

Melbourne, 24 February 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half year ended 31 December 2016

	Notes	31 December 2016 $'000's	31 December 2015 $'000's
REVENUE	**2**	**11,628**	13,336
Sales and marketing expenses		**(1,965)**	(2,367)
Occupancy expenses		**(431)**	(470)
Administration expenses		**(2,647)**	(2,083)
Technical expenses		**(3,287)**	(3,578)
Production / creative expenses		**(1,745)**	(2,618)
Restructuring costs		**(214)**	(217)
Impairment of intangible assets		**(4,500)**	-
Corporate expenses		**(471)**	(441)
Finance costs		**(149)**	(173)
Share of net loss of associate accounted for using the equity method		**(3)**	-
EXPENSES		**(15,412)**	(11,947)
(LOSS) / PROFIT BEFORE INCOME TAX		**(3,784)**	1,389
Income tax expense	**3**	**(298)**	(555)
(LOSS) / PROFIT FOR THE HALF YEAR AFTER INCOME TAX		**(4,082)**	834
Other comprehensive income net of tax		**-**	-
COMPREHENSIVE (LOSS) / PROFIT FOR THE HALF YEAR		**(4,082)**	834
EARNINGS PER SHARE			
Basic (cents per share)	**4**	**(5.7)**	1.2
Diluted (cents per share)	**4**	**(5.7)**	1.2

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position
as at 31 December 2016

	Notes	31 December 2016 $'000's	30 June 2016 $'000's
CURRENT ASSETS			
Cash and cash equivalents		**1,735**	1,908
Trade and other receivables		**4,233**	4,143
Prepayments		**229**	561
TOTAL CURRENT ASSETS		**6,197**	6,612
NON-CURRENT ASSETS			
Property, plant and equipment		**1,305**	1,382
Deferred tax asset		**674**	769
Receivables from associate		**98**	104
Investments accounted for using the equity method		**159**	162
Intangibles	**5**	**15,031**	19,935
TOTAL NON-CURRENT ASSETS		**17,267**	22,352
TOTAL ASSETS		**23,464**	28,964
CURRENT LIABILITIES			
Trade and other payables		**2,868**	3,358
Borrowings	**6**	**5,750**	-
Income tax		**262**	325
Provisions		**612**	740
TOTAL CURRENT LIABILITIES		**9,492**	4,423
NON-CURRENT LIABILITIES			
Borrowings		**-**	5,750
Deferred tax liability		**750**	766
Provisions		**31**	53
TOTAL NON-CURRENT LIABILITIES		**781**	6,569
TOTAL LIABILITIES		**10,273**	10,992
NET ASSETS		**13,191**	17,972
EQUITY			
Issued capital		**21,538**	21,508
Share based payment reserve		**673**	666
Accumulated losses		**(9,020)**	(4,202)
TOTAL EQUITY		**13,191**	17,972

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity
for the half year ended 31 December 2016

	Notes	Issued Capital $'000's	Share Based Payment Reserve $'000's	Accumulated Losses $'000's	Total $'000's
TOTAL EQUITY AT 1 JULY 2016		**21,508**	**666**	**(4,202)**	**17,972**
Profit after income tax		**-**	**-**	**(4,082)**	**(4,082)**
Other comprehensive income		**-**	**-**	**-**	**-**
Total comprehensive profit		**-**	**-**	**(8,284)**	**(8,284)**
Transactions with owners in their capacity as owners					
Share buy-back scheme		**-**	**-**	**-**	**-**
Dividends paid	**9**	**-**	**-**	**(736)**	**(736)**
Issue of share capital[3]		**30**	**-**	**-**	**30**
Share based payment expense		**-**	**7**	**-**	**7**
TOTAL EQUITY AT 31 DECEMBER 2016		**21,538**	**673**	**(9,020)**	**13,191**
TOTAL EQUITY AT 1 JULY 2015		21,463	696	(3,614)	18,545
Profit after income tax		-	-	834	834
Other comprehensive income		-	-	-	-
Total comprehensive profit		-	-	834	834
Transactions with owners in their capacity as owners					
Share buy-back scheme		-	-	-	-
Dividends paid	9	-	-	(735)	(735)
Issue of share capital[4]		45	-	-	45
Share based payment expense		-	(12)	-	(12)
TOTAL EQUITY AT 31 DECEMBER 2015		21,508	684	(3,515)	18,677

The accompanying notes form part of these financial statements

[3] Issued 168,000 shares for nil consideration under the Company's Exempt Employee Share Plan (EESP) in first half of the 2016-17 financial year.

[4] Issued 12,500 shares for nil consideration under the Company's Employee & Executive Incentive Plan in first half of the 2016-17 financial year.

Consolidated Statement of Cash Flows
for the half year ended 31 December 2016

	Notes	Inflows / (Outflows) 31 December 2016 $'000's	31 December 2015 $'000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**13,786**	15,081
Payments to suppliers and employees (inclusive of GST)		**(12,381)**	(13,371)
Interest received		**-**	16
Interest and other costs of finance paid		**(148)**	(200)
Income taxes paid		**(284)**	(616)
Net cash provided by operating activities before restructuring costs		**973**	910
Payment for restructuring costs		**(127)**	(217)
Net operating cash flows after restructuring costs		**846**	693
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		**(283)**	(50)
Net cash used in investing activities		**(283)**	(50)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		**-**	(1,000)
Dividends paid		**(736)**	(735)
Net cash used in financing activities		**(736)**	(1,735)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(173)**	(1,092)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE HALF YEAR		**1,908**	3,569
CASH AND CASH EQUIVALENTS AT END OF THE HALF YEAR		**1,735**	2,477

The accompanying notes form part of these financial statements

Notes to the Financial Statements
for the half year ended 31 December 2016

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 2016 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

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations' issued by the Australian Accounting Standards Board('AASB') that are mandatory for the 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 2016

1. Summary of significant accounting policies cont'd

Rounding of Amounts

In accordance with ASIC Legislative Instrument 2016/191, 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.

	31 December 2016 $'000's	31 December 2015 $'000's
2. Revenue from continuing operations		
Broadcast revenue	**7,721**	7,832
Publishing revenue	**3,781**	5,382
Interest revenue	**-**	16
Other revenue	**126**	106
Revenue from continuing operations	**11,628**	13,336

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:

(Loss) / profit before income tax expense	**(3,784)**	1,389
Income tax (benefit) / expense calculated at 30%	**(1,135)**	417
Non allowable expenses / assessable income	**1,443**	97
Deductible expenses / non assessable income	**(10)**	-
	298	514
Income tax – over or under provision prior years	**-**	41
Income tax expense	**298**	555

b) Income tax expense

Current tax	**409**	856
Movement in deferred tax asset	**(95)**	194
Movement in deferred tax liability	**(16)**	(495)
	298	555

Notes to the Financial Statements
for the half year ended 31 December 2016

4. Earnings Per Share

Weighted average number of ordinary shares on issue for calculation of:	**31 December 2016 000's**	31 December 2015 000's
Basic ordinary shares	**72,193**	70,409
Diluted ordinary shares	**72,092**	70,802
	$'000's	$'000's
(Loss) / profit for the half year	**(4,082)**	834
Basic (loss) / earnings (cents per share)	**(5.7)**	1.2
Diluted (loss) / earnings (cents per share)	**(5.7)**	1.2

5. Intangible Assets

Broadcasting CGU	**31 December 2016 $000's**	30 June 2016 $000's
Radio licences – indefinite useful life	**8,169**	8,169
Patents and trademarks	**117**	117
Sub-total	**8,286**	8,286
Website – SportsSENtral	**167**	167
Website – amortisation / write-off	**(167)**	(59)
Sub-total	**-**	108
Broadcasting – total	**8,286**	8,394
Publishing CGU		
Mastheads – indefinite useful life	**2,077**	2,077
Impairment of Inside Football masthead	**(797)**	-
Sub-total	**1,280**	2,077
Goodwill – indefinite useful life	**7,442**	7,442
Impairment of goodwill on Morrison Media acquisition	**(3,703)**	-
Sub-total	**3,739**	7,442
Customer relationships – finite useful life	**2,959**	2,965
Customer relationships – amortisation	**(1,233)**	(937)
Sub-total	**1,726**	2,022
Publishing – total	**6,745**	11,541

Notes to the Financial Statements
for the half year ended 31 December 2016

5. Intangible Assets cont'd

	31 December 2016 $000's	30 June 2016 $000's
Intangibles – total	**15,031**	19,935

Intangibles are tested at each reporting period for impairment at CGU level.

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

- Broadcasting CGU (radio licences) - 1116AM (SEN) / 1377AM (Classic Rock Radio) - $8.286 million; and
- Publishing CGU (mastheads, customer lists, customer relationships and goodwill) Frankie, Smith Journal, Slow, Spaces and Inside Football - $6.745 million.

Radio licences included in broadcasting intangibles are considered to have an indefinite useful life and are not amortised but are reviewed for impairment at each reporting date.

Publishing intangibles including mastheads, brands, and goodwill designated to have an indefinite useful life are not amortised but are reviewed for impairment at each reporting date.

Publishing intangibles include customer lists that have been designated with a finite life are amortised systematically over a five year period.

The recoverable amount of each CGU has been determined based on value in use and the basis for determining the recoverable amount is outlined below.

Directors' have reviewed broadcasting and publishing CGU assets for impairment indicators at reporting date and have determined that:

- no impairment is required to be made in respect of the broadcasting CGU assets; and
- having assessed the ongoing trading conditions in the publishing CGU, directors have formed the opinion that these assets are impaired due to:
  - a decision to transition the publication of Inside Football magazine from a weekly to a monthly publication and possibly over the longer term to become a digital only publication, will likely have an impact on projected cash flows until a monthly or digital format is well established; and
  - the trading performance and cash flows from magazine copy sales in the first half of the financial year is tracking below budget and with sales in the second quarter of the year a significant contribution, directors have formed the view that there is evidence of impairment and hence they consider it prudent and conservative to impair the carrying value of these assets at reporting date.

Value in Use (VIU) for the Broadcasting CGU

Value in use is determined by using actual cash flows and extrapolating these for future years.

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% (2016: 2%);

(ii) A pre tax discount rate of 18% is an appropriate weighted cost of capital (2016: 18%).

Value in use is determined by using actual cash flows and extrapolating these out for future years.

Notes to the Financial Statements
for the half year ended 31 December 2016

5. Intangible Assets cont'd

Value in Use (VIU) for the Publishing CGU

In respect of mastheads, brands, customer and subscriptions lists and goodwill, the key assumptions used for value in use for the current period were:

(i) Net cash flows before tax will decline at an annual rate of 2% (2016: nil);

(ii) A pre tax discount rate of 18% is an appropriate weighted cost of capital (2016: 18%).

Value in use is determined by using actual cash flows and extrapolating these out for future years. Future cash flows for intangibles are based on forecasts prepared by management and these forecasts are based on operating results in the reporting period. Cash flows beyond the five-year period are extrapolated using a negative growth rate of 2% which does not exceed the long term average projected growth rate for the CGU.

6. Borrowings

	31 December 2016 $000's	30 June 2016 $000's
Borrowings - current	**5,750**	-

Borrowings are disclosed as a current liability to comply with AASB 101 "*Presentation of Financial Statements*" as there is no conditional right to defer settlement for more than 12 months after reporting date.

The existing facility with Commonwealth Bank of Australia (CBA) in due to mature in December 2017.

The Company intends to commence negotiations with CBA in the second half of the financial year to seek agreement to extend the maturity date of the debt and / or refinance the facility.

7. Equity Securities Issued

Issues of Ordinary Shares during the half year	**31 December 2016**		30 June 2016	
	000's	**$'000's**	000's	$'000's
Issuance of shares – EESP	**168**	**27**	179	45
Issuance of shares – EEIP	**13**	**3**	-	-
	181	**30**	179	45

Notes to the Financial Statements
for the half year ended 31 December 2016

8. Segment Information

Identification of reportable operating segments

The consolidated entity is organised into two operating segments, broadcasting and publishing.

These operating segments are based on the internal reports that are reviewed and used by the Board (identified as the Chief Operating Decision Makers ('CODM') in assessing performance and allocating resources.

The CODM reviews profits / (losses), EBITDA and underlying EBITDA (EBITDA before one off costs).

Underlying EBITDA has been disclosed as the CODM uses it as a measure of segment performance.

The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements and information reported to CODM is on a monthly basis.

	31 December 2016 $'000's			31 December 2015 $'000's			Total $'000's	
	Broadcasting	**Publishing**	**Head Office**	Broadcasting	Publishing	Head Office	**2016**	2015
Segment Revenues	**7,830**	**3,798**	**-**	7,935	5,387	14	**11,628**	13,336
Segment profit / (losses)	**885**	**(3,676)**	**(993)**	1,045	1,285	(941)	**(3,784)**	1,389
Underlying EBITDA*	**1,202**	**873**	**(474)**	1,391	1,251	(324)	**1,601**	2,318
Segment Assets	**13,561**	**9,849**	**54**	13,266	4,846	11,167	**23,464**	29,279
Segment Liabilities	**1,864**	**1,961**	**6,448**	1,778	2,627	6,197	**10,273**	10,602

* = Non-AIFRS item

9. Dividends Paid and Proposed

	31 December 2016 $'000's	31 December 2015 $'000's
Dividends paid / payable were:		
Final dividend paid for the financial year ended 30 June	**736**	735
	736	735
Dividends paid in cash during the half-year were:		
Paid in cash	**736**	735
Final dividend paid in the half year period - cents per share	**1.05**	1.05
Total dividend paid during the half year period	**736**	735
Interim dividend declared for half year - cents per share	**0.60**	1.35

The cash component of franked interim dividend not accrued in the current half year is $421,772.

The final cash proportion of the interim dividend is likely to be lower due to some shareholders electing to take up the option to receive shares at a 5% discount in the newly launched Dividend Reinvestment Plan (DRP).

Notes to the Financial Statements
for the half year ended 31 December 2016

10. Contingent Liabilities

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

11. Related party disclosures

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

12. Events subsequent to reporting date

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