PACIFIC STAR NETWORK LIMITED
ABN 20 009 221 630

APPENDIX 4D

Interim Financial Report for half year ended 31 December 2017

Table of Contents

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 2017.

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 2017 31 December 2016

2. Results for announcement to the market

		Change %		31 December 2017 $000s	31 December 2016 $000s
2.1	Revenues from continuing activities	Down 3%	to	**11,245**	11,628
2.2	EBITDA (underlying)*	Up 2%	to	**1,637**	1,601
2.3	Net profit from ordinary activities before tax attributable to members	Up >100%	to	**445**	(3,784)
2.4	Net profit from ordinary activities after tax attributable to members	Up >100%	to	**408**	(4,082)
2.5	Significant expense*	Down >100%	to	**(502)**	(4,714)
2.6	Earnings per Share – basic cents (NPAT)	Up >100%	to	**0.6**	(5.7)
2.7	Earnings per Share – basic (cents)* (underlying EBITDA)	Up 5%	to	**2.3**	2.2

* = 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 2017 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

The Company incurred significant costs of $0.5 million during the reporting period. These costs relate to the proposed Crocmedia merger transaction and ongoing restructuring costs within the business.

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

Significant costs recognised at the half year include the following:

	$000s
Restructuring costs	142
Proposed Crocmedia merger – transaction costs	360
Total	**502**

* = Non-AIFRS item

Basis for Significant Items

- Restructuring costs of $142,383 were booked at the half year (HY2016: $213,589). These represent costs incurred in making redundancies to realign business operations.
- The Company has incurred legal, due diligence, corporate advisory and independent expert report costs in relation to the proposed merger transaction with Crocmedia. These are one-off costs.

2.9 Financial Performance

	31 December 2017 $000s	31 December 2016 $000s
Broadcast revenue	**8,365**	7,721
Publishing revenue	**2,878**	3,781
Other revenue	**2**	126
Revenue from continuing operations	**11,245**	11,628
Underlying EBITDA*	**1,637**	1,601
Depreciation / amortisation	**(523)**	(522)
Earnings before interest, tax and significant items*	**1,114**	1,079
Interest received	**1**	-
Interest paid	**(168)**	(149)
Net profit before tax and significant items*	**947**	930
Income tax	**(37)**	(298)
Net profit before significant items*	**910**	632
Significant costs	**(502)**	(4,714)
Net profit / (loss) after tax as reported	**408**	(4,082)

* = Non-AIFRS item

Dividend per share	**No dividend declared**	0.6 cents fully franked

Appendix 4D cont'd

2. Results for announcement to the market cont'd

2.9 Financial Performance cont'd

Revenues for the half year was down 3% on the comparative period to $11.245 million.

Underlying EBITDA was up 2% on the comparative period to $1.637 million.

Net profit after tax of $408,417 was up over 100% on the comparative period. Underlying net profit after tax was $910,593 before taking account of significant items of $502,176.

2.10 Dividends (distributions)

	Amount per security	**Franked amount per security**
Interim dividend declared (Conduit Foreign Income – Nil)	Nil	Nil
Previous corresponding period (Conduit Foreign Income – Nil)	0.6 cents	100%

2.11 Record date for determining entitlement date to dividend	Not Applicable
2.12 Dividend payment date	Not Applicable

3. Net Tangible Asset (NTA) Backing

	31 December 2017	31 December 2016
Net tangible asset backing per ordinary security	(1.1) cents	(2.6) cents
Net asset backing per ordinary security	14.2 cents	18.8 cents

4. Details of associates and joint venture entities

Name of associate	Reporting entity's percentage holding		Contribution to net profit / (loss) in $000s	
	31 December 2017 %	31 December 2016 %	**31 December 2017 $000s**	31 December 2016 $000s
D R B Melbourne Pty Ltd	18.2%	18.2%	(25)	(3)

5. Funding

	31 December 2017 $000s	30 June 2017 $000s
Cash	**2,753**	1,663
Borrowings	**(5,750)**	(5,750)
Net Debt	**(2,997)**	(4,087)
Gearing[1]	**23%**	30%

[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 2017.

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 Resigned 15 November 2017 Reappointed as an alternate Non-executive director on 24 November 2017
Andrew Moffat	Appointed Non-executive Director on 15 November 2017
Gary Pert	Resigned 15 November 2017
Colm O'Brien	Appointed Non-executive Director on 10 September 2015
John Bertrand AO	Resigned 15 November 2017
Peter Quattro	Resigned 15 November 2017
Michael Nettlefold	Appointed Non-executive Director on 25 August 2017 Resigned 15 November 2017
Craig Coleman	Appointed Non-executive Director on 15 November 2017

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 and Inside Football magazine) and other associated digital assets.

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

Business Overview

- Trading conditions in the first half of the year for the company's broadcast business were strong with revenue of $8.365m up 8% and underlying EBITDA at $1.474 million up 23% on the comparative period. This underlies the decision to change the on-air line up effective from early calendar 2017.
- Our publishing business continues to operate in a challenging environment with a decline in print revenue of 16% to $2.878 million on a like for like basis and underlying EBITDA at $529,000 down 39% on the comparative period. To put these declines in the context of this industry category, our publications continue to rate strongly and resonate with digital audiences and frankie magazine regularly rates as the number one women's fashion magazine in Australia for readership.
- On 15 November 2017, the Company announced changes at Board level with John Bertrand AO, Gary Pert, Peter Quattro and Michael Nettlefold resigning as directors and Ron Hall retiring. These board changes resulted from a change in the priorities of the major shareholders of the company.

  On the same date, the company welcomed Craig Coleman and Andrew Moffat as new directors to the Board joining existing director, Colm O'Brien.

Directors' Report

Business Overview cont'd

- In late November 2017, the Company announced its intention to merge with Crocmedia. Further details of this transaction are detailed in the Outlook section of this directors' report.

Review of Operations

Financial Performance	**Change %**	**31 December 2017 $000s**	31 December 2016 $000s
Revenue	Down 3%	**11,245**	11,628
Underlying EBITDA*	Up 2%	**1,637**	1,601
Net profit / (loss) after tax attributed to members	Up >100%	**408**	(4,082)
Significant costs*	Down >100%	**(502)**	(4,714)
Earnings per share - basic cents (NPAT)	Up >100%	**0.6**	(5.7)
Earnings per share - basic cents (underlying EBITDA)*	Up 5%	**2.3**	2.2

* = Non-AIFRS item

- The Company reports a net profit after tax of $408,417 compared to the comparative half year (HY 2016: $4.082 million loss).
- Underlying net profit after tax (excluding the impact of significant costs of $502,176) was $910,593 (HY 2016: $631,985).
- EBITDA was $1.135 million, up over 100% on the comparative period (HY 2016: $3.113 million loss).
- Underlying EBITDA was $1.637 million (excluding significant costs), up 2% on the same period last year (HY 2016: $1.601 million).
- Revenue at $11.245 million for the half year was down $383,000 (3%) on the comparative period (HY 2016: $11.628 million). The lower revenue has been influenced by lower advertising sales in the publishing CGU.
- Operating costs at $10.542 million were $370,265 (3%) lower than the comparative period (HY 2016: $10.912 million).
- Operating cash flows at $1,242,838 were up 47% on the comparative period (HY 2016: $845,572).
- Estimated taxable income at half year was $117,333, income tax expense is $37,000 and the effective tax rate is 8%. This effective tax rate recognises the impact of movements in temporary differences.

Directors' Report Cont'd

Outlook

- Following the Company's announcement on a proposed transaction to merge with Crocmedia, the following milestones have been achieved:

o Company issued ASX announcement advising that it had entered into non-binding term sheet to merge with Crocmedia	22 November 2017
o Completed due diligence and finalised legal agreements	8 January 2018
o Company issued Notice of Meeting (incorporating Independent Experts Report) to ASX	1 February 2018
o Dispatch of Notice of Meeting to shareholders	9 February 2018

Remaining timetable to completion of the Crocmedia merger

o General Meeting of Shareholders to vote on resolutions approving merger transaction.	15 March 2018
o Estimated completion date for merger transaction	31 March 2018

- The Company commissioned an independent expert to provide a report to shareholders to evaluate the proposed merger transaction. Leadenhall, the independent expert has valued an ordinary share in the proposed merged entity within a range of 38 – 44 cents compared to a valuation for the existing company standalone business within a range of 25 – 31 cents.

  This represents significant and positive shareholder value accretion assuming the merger proceeds with Crocmedia. Your Board is mindful of ensuring that strategies are implemented to continue to build a sustainable business that in turn contributes to a strong share price for the merged business.

- At the General Meeting of shareholders to be held on 15 March, shareholders will have the opportunity to vote on the proposed merger of the company with Crocmedia. The proposed merger will create a sports content and entertainment business that is supported by a compelling strategic rationale including:
  - Providing scale and complimentary services across multiple media platforms;
  - Offering client solutions across radio, television, on-line, in-stadium, events and print media;
  - An increased ability to cross sell content including marketing a broader set of services to a wider set of brand partners;
  - Leveraging synergies that will result from merging shared services, sharing talent and consolidating operations.
- The intention is for the merged business to be led by CEO elect, Craig Hutchison, who is supported by a strongly credentialed senior management team. Craig co-founded Crocmedia in 2006, and the business has grown to become a key player in the AFL landscape having secured the radio rights from 2017 - 2022, to broadcast AFL matches across Australia.
- The proposed merger with Crocmedia includes a condition to undertake a share placement to raise $10 million. The company has received pre-commitments for the full amount of the placement from existing shareholders, a director, Crocmedia management and other investors. The monies raised will be utilised to pay down the existing debt facility of $5.75 million, fund merger transaction costs and to provide working capital for the merged business. The primary outcome of these transactions is that the company will be debt free, have a stronger balance sheet and is poised to take advantage of future growth opportunities.

Directors' Report Cont'd

Outlook cont'd

- Your Board looks forward to providing regular updates on the transition of the company into a fully-fledged sports content and entertainment business, one that is capable of delivering unique and exclusive content to national, metropolitan and regional audiences.

Dividends

Directors' have resolved to not declare an interim dividend for the half year (HY 2016: 0.6 cents).

Directors' have formed the view that free cash flow should be directed towards the future growth of the business and most importantly, to provide adequate working capital for the larger merged business.

Your Board intends to retain the existing Dividend Reinvestment Plan (DRP) to provide shareholders with the opportunity to take any declared dividends in a form other than cash.

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 10 and forms part of the Directors' Report for the half year ended 31 December 2017.

Signed in accordance with a resolution of the Directors'.

Craig Coleman
Chairman

Melbourne, 26 February 2018

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 2017, 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'

Craig Coleman
Chairman

Melbourne, 26 February 2018

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Collins Square, Tower Four
Level 18, 727 Collins Street
Melbourne VIC 3008
GPO Box 5099 Melbourne VIC 3001
Australia

DECLARATION OF INDEPENDENCE BY TIM FAIRCLOUGH 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 2017, 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.

Tim Fairclough

Tim Fairclough
Partner

BDO East Coast Partnership

Melbourne, 26 February 2018

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Collins Square, Tower Four
Level 18, 727 Collins Street
Melbourne VIC 3008
GPO Box 5099 Melbourne VIC 3001
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Pacific Star Network Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Pacific Star Network Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, 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 then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial 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.*

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 Group's financial position as at 31 December 2017 and its financial 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 the Group, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

BDO

Tim Fairclough

Tim Fairclough
Partner

Melbourne, 26 February 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half year ended 31 December 2017

	Notes	31 December 2017 $000s	31 December 2016 $000s
REVENUE	**2**	**11,245**	11,628
Sales and marketing expenses		**(2,054)**	(1,965)
Occupancy expenses		**(461)**	(431)
Administration expenses		**(1,662)**	(2,647)
Technical expenses		**(4,038)**	(3,287)
Production / creative expenses		**(1,408)**	(1,745)
Significant costs		**(502)**	(214)
Impairment of intangible assets		**-**	(4,500)
Corporate expenses		**(482)**	(471)
Finance costs		**(168)**	(149)
Investments accounted for using the equity method		**(25)**	(3)
EXPENSES		**(10,800)**	(15,412)
PROFIT / (LOSS) BEFORE INCOME TAX		**445**	(3,784)
Income tax expense	**3**	**(37)**	(298)
PROFIT / (LOSS) FOR THE HALF YEAR AFTER INCOME TAX		**408**	(4,082)
Other comprehensive income net of tax		**-**	-
COMPREHENSIVE PROFIT / (LOSS) FOR THE HALF YEAR		**408**	(4,082)
EARNINGS / (LOSS) PER SHARE			
Basic (cents per share)	**4**	**0.6**	(5.7)
Diluted (cents per share)	**4**	**0.6**	(5.7)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

Consolidated Statement of Financial Position
as at 31 December 2017

	Notes	31 December 2017 $000s	30 June 2017 $000s
CURRENT ASSETS			
Cash and cash equivalents		**2,753**	1,663
Trade and other receivables		**3,987**	4,326
Prepayments		**193**	207
TOTAL CURRENT ASSETS		**6,933**	6,196
NON-CURRENT ASSETS			
Property, plant and equipment		**1,142**	1,197
Deferred tax asset		**478**	648
Income tax		**139**	-
Receivables from associate		**60**	92
Investments accounted for using the equity method		**174**	201
Intangibles	**5**	**10,875**	11,192
TOTAL NON-CURRENT ASSETS		**12,868**	13,330
TOTAL ASSETS		**19,801**	19,526
CURRENT LIABILITIES			
Trade and other payables		**2,896**	2,493
Borrowings	**6**	**5,750**	5,750
Income tax		**-**	363
Provisions		**479**	486
TOTAL CURRENT LIABILITIES		**9,125**	9,213
NON-CURRENT LIABILITIES			
Deferred tax liability		**559**	649
Provisions		**7**	7
TOTAL NON-CURRENT LIABILITIES		**566**	656
TOTAL LIABILITIES		**9,691**	9,869
NET ASSETS		**10,110**	9,657
EQUITY			
Issued capital		**21,701**	21,680
Share-based payment reserve		**716**	692
Accumulated losses		**(12,307)**	(12,715)
TOTAL EQUITY		**10,110**	9,657

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes

Consolidated Statement of Changes in Equity
for the half year ended 31 December 2017

	Notes	Issued Capital $000s	Share Based Payment Reserve $000s	Accumulated Losses $000s	Total $000s
TOTAL EQUITY AT 1 JULY 2017		**21,680**	**692**	**(12,715)**	**9,657**
Profit after income tax		**-**	**-**	**408**	**408**
Other comprehensive income		**-**	**-**	**-**	**-**
Total comprehensive income		**-**	**-**	**408**	**408**
Transactions with owners in their capacity as owners					
Dividends paid	**9**	**-**	**-**	**-**	**-**
Issue of share capital[2]		**21**	**-**	**-**	**21**
Share-based payments		**-**	**24**	**-**	**24**
TOTAL EQUITY AT 31 DECEMBER 2017		**21,701**	**716**	**(12,307)**	**10,110**
TOTAL EQUITY AT 1 JULY 2016		21,508	666	(4,202)	17,972
Loss after income tax		-	-	(4,082)	(4,082)
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	(4,082)	(4,082)
Transactions with owners in their capacity as owners					
Share buy-back scheme		-	-	-	-
Dividends paid	9	-	-	(736)	(736)
Issue of share capital		30	-	-	30
Share-based payments		-	7	-	7
TOTAL EQUITY AT 31 DECEMBER 2016		21,538	673	(9,020)	13,191

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

[2] Issued 198,880 shares for nil consideration under the Company's Exempt Employee Share Plan (EESP) in the first half of the financial year.

Consolidated Statement of Cash Flows
for the half year ended 31 December 2017

	Notes	Inflows / (Outflows) 31 December 2017 $000s	31 December 2016 $000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**13,607**	13,786
Payments to suppliers and employees (inclusive of GST)		**(11,601)**	(12,381)
Interest received		**-**	-
Interest and other costs of finance paid		**(164)**	(148)
Income taxes paid		**(457)**	(284)
Net cash provided by operating activities before restructuring costs		**1,385**	973
Payment for restructuring costs		**(142)**	(127)
Net operating cash flows after restructuring costs		**1,243**	846
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		**(153)**	(283)
Net cash used in investing activities		**(153)**	(283)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**-**	(736)
Net cash used in financing activities		**-**	(736)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,090**	(173)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE HALF YEAR		**1,663**	1,908
CASH AND CASH EQUIVALENTS AT END OF THE HALF YEAR		**2,753**	1,735

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

Notes to the Financial Statements
for the half year ended 31 December 2017

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 2017 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 2017

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 2017 $000s	31 December 2016 $000s
2. Revenue from continuing operations		
Broadcast revenue	**8,365**	7,721
Publishing revenue	**2,878**	3,781
Other revenue	**2**	126
Revenue from continuing operations	**11,245**	11,628

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:

Profit / (loss) before income tax expense	**445**	(3,784)
Income tax expense / (benefit) calculated at 30%	**134**	(1,135)
Non allowable expenses / assessable income	**116**	1,443
Deductible expenses / non assessable income	**(341)**	(10)
	(91)	298
Income tax – under provision prior years	**128**	-
Income tax expense	**37**	298

b) Income tax expense

Current tax	**117**	409
Movement in deferred tax asset	**(170)**	(95)
Movement in deferred tax liability	**90**	(16)
	37	298

Notes to the Financial Statements
for the half year ended 31 December 2017

4. Earnings Per Share

Weighted average number of ordinary shares on issue for calculation of:	**31 December 2017 000s**	31 December 2016 000s
Basic ordinary shares	**70,909**	72,193
Diluted ordinary shares	**72,177**	72,092
	$000s	$000s
Profit / (loss) for the half year	**408**	(4,082)
Basic earnings / (loss) (cents per share)	**0.6**	(5.7)
Diluted earnings / (loss) (cents per share)	**0.6**	(5.7)

5. Intangible Assets

Broadcasting CGU	**31 December 2017 $000s**	30 June 2017 $000s
Radio licences – indefinite useful life	**8,169**	8,169
Patents and trademarks – indefinite useful life	**122**	122
Sub-total	**8,291**	8,291
Website – SportsSENtral	**229**	381
Website – amortisation / write off	**(29)**	(190)
Sub-total	**200**	191
Broadcasting – total	**8,491**	8,482
Publishing CGU		
Mastheads – indefinite useful life	**2,077**	2,077
Impairment of Inside Football masthead	**(797)**	(797)
Sub-total	**1,280**	1,280
Goodwill	**7,442**	7,442
Impairment of goodwill on Morrison Media acquisition	**(7,442)**	(7,442)
Sub-total	**-**	-
Customer relationships – finite useful life	**2,959**	2,959
Customer relationships – amortisation	**(1,855)**	(1,529)
Sub-total	**1,104**	1,430
Publishing – total	**2,384**	2,710

Notes to the Financial Statements
for the half year ended 31 December 2017

5. Intangible Assets cont'd

	31 December 2017 $000s	30 June 2017 $000s
Intangibles – total	**10,875**	11,192

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 and websites) - 1116AM (SEN) / 1377AM (Classic Rock Radio and SportsSENtral) - $8.491 million; and
- Publishing CGU (mastheads, customer lists, customer relationships and goodwill) Frankie, Smith Journal and Inside Football - $2.384 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.

Directors' have assessed the recoverable value of broadcasting and publishing CGU assets at reporting date and determined that no impairment is required to be made in respect of the broadcasting or publishing CGU assets.

The recoverable amount of each CGU has been determined based on value in use including taking account of any evident impairment indicators 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% YoY (2017: 2.3%);
(ii) A pre tax discount rate of 18% is an appropriate weighted cost of capital (2017: 17%).

Value in use is determined by using actual cash flows and extrapolating these out for future years to determine the terminal value of cash flows.

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 for magazine copy sales and advertising will decline by 10% YoY (2017: 10%);
(ii) A pre tax discount rate of 22% is an appropriate weighted cost of capital (2017: 23%).

Value in use is determined by using actual cash flows and extrapolating these out for future years to determine the terminal value of cash flows. Future cash flows for intangibles are based on forecasts prepared by management and these forecasts are based on operating results in the current year. Cash flows beyond the five-year period are extrapolated using revenue growth rates ranging from 2% positive to 10% negative and do not exceed the long-term average projected growth rate for the CGU.

Notes to the Financial Statements
for the half year ended 31 December 2017

6. Borrowings

	31 December 2017 $000s	30 June 2017 $000s
Bank loan - current	**5,750**	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 end of April 2018 and the Company intends to fully pay down the facility by that date or earlier from the proceeds of a share placement.

The shareholder resolution to approve this placement, together with other resolutions will be voted on by shareholders at a general meeting to be held on 15 March 2018.

The Company was fully compliant with banking covenants for the reporting period.

7. Equity Securities Issued

Issues of Ordinary Shares during the half year	**31 December 2017**		30 June 2017	
	000s	**$000s**	000s	$000s
Issuance of shares – EESP[1]	**199**	**21**	180	42
Issuance of shares – EEIP	**77**	**24**	522	130
	276	**45**	702	172

[1] Cost of issuing these ordinary shares to employees is amortised over the full financial year.

Notes to the Financial Statements
for the half year ended 31 December 2017

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 2017 $000s			31 December 2016 $000s			Total $000s	
	Broadcasting	**Publishing**	**Head Office**	Broadcasting	Publishing	Head Office	**2017**	2016
Segment Revenues	**8,365**	**2,878**	**2**	7,830	3,798	-	**11,245**	11,628
Segment profit / (losses)	**1,137**	**486**	**(1,178)**	885	(3,676)	(993)	**445**	(3,784)
Underlying EBITDA*	**1,474**	**529**	**(366)**	1,202	873	(474)	**1,637**	1,601
Segment Assets	**14,116**	**5,452**	**233**	13,561	9,849	54	**19,801**	23,464
Segment Liabilities	**2,139**	**1,400**	**6,152**	1,864	1,961	6,448	**9,691**	10,273

* = Non-AIFRS item

9. Dividends Paid and Proposed

	31 December 2017 $000s	31 December 2016 $000s
Dividends paid / payable were:		
Final dividend paid for the financial year ended 30 June	**-**	736
	-	736
Dividends paid in cash during the half-year were:		
Paid in cash	**-**	736
Final dividend paid in the half year period - cents per share	**N/a**	1.05
Total dividend paid during the half year period	**N/a**	736
Interim dividend declared for half year - cents per share	**N/a**	0.60

Directors have resolved not to declare a dividend at the half year.

Notes to the Financial Statements
for the half year ended 31 December 2017

10. Contingent Liabilities

Subsequent to the reporting period, the Company has received claims from two former contractors.

The Directors intend to vigorously defend these claims.

Other than the matter referred to above, there has been no other changes to contingent liabilities since the last annual reporting period.

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

On 8 January 2018, the Company issued an announcement to the Australian Stock Exchange (ASX) advising that it had agreed to merge with Crocmedia Pty Ltd, subject to satisfying conditions precedent, including shareholder approval of the proposed transaction.

On 1 February 2018, the Company issued a Notice of Meeting (incorporating an Independent Expert's Report) to the ASX calling a general meeting of shareholders to be held on 15 March 2018.

The purpose of the meeting is to seek shareholder approval for the transactions to implement the formal merger with Crocmedia Pty Ltd.

The merger will be achieved by the company acquiring 100% of the equity of Crocmedia Pty Ltd in exchange for issuing 91.6 million of its shares to shareholders and executives of Crocmedia Pty Ltd.

Further information on the merger and other related documentation can be located at www.pacificstarnetwork.com.au/investors/current announcements.