PACIFIC STAR NETWORK LIMITED
ABN 20 009 221 630

APPENDIX 4E

Preliminary Final Report for the Year Ended 30 June 2020

Table of Contents

Appendix 4E

Results for announcement to the market

1. Company Details

Name of Entity	Pacific Star Network Limited
ABN	20 009 221 630
Year Ended (current period) Year Ended (previous period)	30 June 2020 30 June 2019

2. Results for announcement to the market

	Change %		30 June 2020 $000s	30 June 2019 $000s
2.1 Revenues from ordinary activities	Down 2%	to	66,785	67,886
2.2 EBITDA (underlying) [1] from continuing operations	Down 32%	to	6,102	9,008
2.3 Pre AASB 16 EBITDA (underlying) [1, 2] from continuing operations	Down 50%	to	4,490	9,008
2.4 (Loss)/Profit from ordinary activities after tax attributable to members [3]	Down 277%	to	(5,210)	2,945
2.5 Net (loss)/profit after tax attributable to members	Down 251%	To	(5,210)	3,452

3. Dividends

In light of the difficult circumstances surrounding the COVID-19 pandemic, the Directors' have taken the decision to not pay a final dividend.

The Directors' have formed the view that this will assist the Group to continue to strengthen working capital during the ongoing financial impact caused by the COVID-19 pandemic.

4. Net Tangible Asset (NTA) Backing

	30 June 2020	30 June 2019
Net tangible asset backing per ordinary security	(9.3) cents	2.1 cents
Net asset backing per ordinary security	19.4 cents	21.7 cents

[1] Underlying results exclude once-off significant costs of $5.249 million associated with the impairment of the goodwill within the Broadcasting & Media CGU, terminated of the broadcast rights and supplier relationship intangibles, the transactional costs in relation to the acquisitions of Rapid TV, Precision Talent, Lifestyle1, Spirit 621AM, and the narrowband radio licences. Similarly, the Underlying results for 2019 exclude $1.043 million of restructuring and transaction costs associated with various acquisitions, as well as the restructure and transaction costs and profit on disposal ($0.506 million) of the Morrison Media business.

[2] Underlying excludes the impact of application of AASB 16 *Leases*.

[3] The Profit from ordinary activities after tax attributable to members for 2019 excludes the profit on disposal ($0.506 million) of the Morrison Media business.

Appendix 4E

Results for announcement to the market

5. Control gained or lost over businesses during the period

Name of business	Date control was gained	Reporting entity's percentage holding		Contribution to net profit / (loss) in $000s	
		30 June 2020 %	30 June 2019 %	**30 June 2020 $000s**	30 June 2019 $000s
Control Gained					
Rapid TV Pty Ltd [4]	19 July 2019	**100%**	Nil%	**-**	-
Rapid Broadcast Pty Ltd [4]	19 July 2019	**100%**	Nil%	**-**	-
Precision Talent Management	21 August 2019	**100%**	Nil%	**187**	-
Lifestyle1	20 January 2020	**100%**	Nil%	**13**	-
Spirit Bunbury 621AM	1 May 2020	**100%**	Nil%	**43**	-

6. Details of associates and joint venture entities

Name of associate	Reporting entity's percentage holding		Contribution to net profit / (loss) in $000s	
	30 June 2020 %	30 June 2019 %	**30 June 2020 $000s**	30 June 2019 $000s
D R B Melbourne Pty Ltd	**18%**	18%	**17**	(40)
Melbourne United Basketball Club Pty Ltd	**25%**	25%	**(4)**	(189)

Note:

The information contained in this Appendix 4E and the attached Full Year Preliminary Financial Report does 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 2019 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

[4] The acquisition of Rapid TV Pty Ltd and Rapid Broadcast Pty Ltd has reduced production costs in the Rainmaker TV content division, however a direct contribution to the Group's net profit is not determinable for the year.

Preliminary Directors' Report

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

Name	Particulars
Craig Coleman	Appointed Non-Executive Director and Chairman on 15 November 2017
Colm O'Brien	Appointed Non-Executive Director on 8 September 2015
Andrew Moffat	Appointed Non-Executive Director on 15 November 2017
Craig Hutchison	Appointed Chief Executive Officer & Managing Director on 29 March 2018
Chris Giannopoulos	Appointed Executive Director on 29 March 2018
Ronald Hall	Appointed as an alternative Non-Executive Director on 18 November 2017 (alternative for Andrew Moffat)
Craig Coleman	Appointed Non-Executive Director on 8 September 2015

Principal Activities

Pacific Star Network Limited is a sports media content and entertainment business, which through its other complementary business units, has capabilities to deliver brand stories to national, metropolitan and regional audiences with unique and exclusive content via multiple platforms including radio, print, television, online, in-stadium and events.

Review of Operations

Review of financial results

- For the year ended 30 June 2020, the Group delivered a satisfactory financial result in difficult circumstances surrounding the severe economic impact of the COVID-19 pandemic. Total revenue from continuing operations of $66.785 million down 2% and underlying EBITDA from ordinary activities at $6.102 million down 32% on the comparative period.
- The Group's year ended 30 June 2020 results reflect the adoption of the new Accounting Standard AASB 16 *Leases*. The Group has adopted AASB 16 using the modified retrospective approach and, as a result, prior period comparatives have not been restated. The Group's underlying EBITDA for the year pre application of AASB16 was $4.490 million, down by 50% on the comparative period.
- The Group's "Whole of Sport" strategy is primarily focused on generating revenue from live sporting events. The COVID-19 pandemic has resulted in:
    - the cancellation and postponement of live sporting events;
    - restrictions on event gatherings including crowds at live sporting events; and
    - commercial impacts to advertisers, which has resulted in reduced advertising spend.

  There is significant uncertainty as to the ongoing disruption of sporting seasons, the lifting of restrictions on event gatherings and the ongoing impact on advertisers.

  In response to the COVID-19 pandemic, the Group has taken the following steps:
    - successfully negotiated a $13.5 million increase to its existing $15.1 million debt facility to replenish and support near term working capital requirements. The combined $28.6 million debt facilities expire on 31 August 2021. Due to the impacts of COVID-19, the Group was also granted temporary relief from its financial covenant undertakings until 31 March 2021;
    - reduced its workforce by 65% across all business units (including talent), agreed pay reductions, reductions in hours and use of leave balances with employees, and also obtained assistance under the Federal Government JobKeeper scheme;
    - significantly reduced capital expenditure plans by 60% to facilitate the rollout of SENTrack and scaled back fit outs of new Brisbane and Sydney offices and radio studios;
    - reached agreements with key suppliers and commercial partners regarding fair compensation for contracted costs not able to be currently serviced, which include discounts, payment deferrals and in some cases, termination of the contract. These variations to agreements are positive but not material to the 30 June 2020 financial year earnings;
    - reached agreements with landlords for various forms of rent relief, including discounts and payment deferrals. These variations to lease agreements are positive but not material to 30 June 2020 financial year earnings; and

Preliminary Directors' Report

Review of Operations cont'd

Review of financial results cont'd

- achieved pro-rata production costs savings and ongoing cost reductions (e.g. travel and talent) relating to live sport broadcasts upon resumption of the NRL and AFL seasons. These reductions are positive but not material to 30 June 2020 financial year earnings.

The Group is continuing to monitor the impact of the COVID-19 pandemic on its business and identify opportunities for operational long-term cost efficiencies. Given COVID-19 and its impacts on the sporting landscape and broader economy.

Acquisitions completed during the financial year ended 30 June 2020

- On 2 July 2019, the Group signed an agreement to acquire 23 narrowband area radio licences for total cash consideration of $7.375 million, with $0.550 million paid in December 2018, and the remaining $6.825 million paid in July 2019 on completion.

  The licences will transform the Group's radio platform ownership, significantly expanding its radio audience reach providing opportunity to leverage its extensive content portfolio. The licences cover several regional radio markets as well as Brisbane, Adelaide, Sydney, Perth, Hobart, Darwin, Alice Springs and Gold Coast.

- On 19 July 2019, the Group acquired 100% of Rapid TV Pty Ltd and Rapid TV Broadcast Pty Ltd for a cash consideration of $2.223 million, deferred contingent consideration of up to $0.400 million in cash and an issuance of 600,000 performance rights to acquire the fully paid ordinary shares in the Companies. Both the deferred contingent consideration and the exercising of the performance rights are subject to the achievement of performance targets during the first twelve months following acquisition, and a service period of 24 months.

  Rapid TV provides live satellite and internet-based vision transfer services through state-of-the-art facilities in Australia, and internationally and will integrate seamlessly with the Group's Rainmaker division providing dedicated television production services to both broadcasters and brands, including production, filming, editing, talent sourcing and delivery.

- On 21 August 2019, the Group completed the acquisition of 100% of the business assets in Precision Talent Management Pty Ltd for a total consideration of $1.000 million. The purchase price was funded through 50% cash and 50% PNW scrip.

  Precision aligns with the Group's 'Whole of Sport' offering, representing over 80 past and present AFL and AFLW players and coaches, cricketers and other media talent.

- On 20 January 2020, the Group completed the acquisition of 100% of the business assets in Lifestyle1 publishing business for a total cash consideration of $0.080 million, with $0.046 million paid in December 2019, and the balance paid upon completion.

  The acquisition of Lifestyle1 will complement the launch of the SEN Mount Gambier radio station and provide opportunities to leverage PNW's national sales team, broadcast rights and content portfolio.

- On 1 May 2020, the Group completed the acquisition of 100% of the business assets in the Spirit 621AM Bunbury business for a total cash consideration of $3.220 million, net of purchase price adjustments.

  The Bunbury and South West area, into which Spirit broadcasts, represents the largest population in Western Australia outside of Perth. The region contains an extensive selection of commercial and community enterprises. The acquisition of Spirit aligns with PNW's radio-led content distribution strategies, expands the Group's owned radio platforms and mass audience reach, and provides opportunities to leverage PNW's national sales team, broadcast rights and content portfolio.

JobKeeper Payment

As part of its response to COVID-19, in March 2020 the Australian Government announced various stimulus measures resulting from the economic fallout from the Coronavirus lockdowns and restrictions. One such stimulus measure was the payment of subsidies to qualifying employers under the JobKeeper Payment scheme ("JobKeeper"). The initial JobKeeper payments are a wage subsidy whereby employers who qualify for the stimulus receive $1,500 per fortnight for each eligible employee who was employed by the Group during the period April 2020 to September 2020.

The Group has determined that it is eligible to receive the initial JobKeeper payments, which totalled $1.620 million in the period to 30 June 2020.

On 21 July 2020, the Australian Government announced an extension of JobKeeper to 28 March 2021 at lower rates. Qualification for the extension scheme is dependent on future events, therefore the Group is unable to determine whether it will qualify for further payments beyond 27 September 2020.

Preliminary Directors' Report

Dividends

In light of the difficult circumstances surrounding the COVID-19 pandemic, the Directors' have taken the decision to not pay a final dividend.

The Directors' have formed the view that this will assist the Group to continue to strengthen working capital during the ongoing financial impact caused by the COVID-19 pandemic.

Significant Changes in State of Affairs

In June 2020, the Group extended its existing $15.100 million debt facility with its existing financier. The facility provides an additional $13.500 million of debt funding predominantly for working capital purposes. As of the date of this report, all $13.500 million has yet to be utilised.

Other than the matters referred to above, in the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the year ended 30 June 2020.

Events since the end of the Financial Year

Notwithstanding the severe economic impact of COVID-19, the Group have pleasingly been able to proceed with our strategic plan and have completed the following acquisitions:

Acquisition of 2CH

On 1 July 2020, the Group acquired 100% of the shares in EON 2CH Pty Ltd (EON), for a cash consideration of $5.000 million upon completion on 1 July 2020, and a scrip consideration of $2.250 million in fully paid ordinary shares in the Company.

EON is the owner of all the shares in the licensee of the 2CH 1170AM radio broadcasting licences in Sydney, NSW. 2CH operates a music broadcast format with 3.8% audience share in metropolitan Sydney, NSW, Australia's largest radio advertising market. The acquisition expands the Group's owned radio platform and audience reach into Sydney.

Acquisition of radio licences

On 1 July 2020, the Group acquired three narrowband area radio licences for a cash consideration of $2.218 million upon completion on 1 July 2020, deferred consideration of $4.893 million in cash payable over eight quarterly instalments, with the final instalment payable on 1 July 2022.

The narrowband radio licences acquired are 1539AM Sydney, 1593AM Melbourne and 90.7FM Darwin, and will form part of SENTrack, Australia's first independent racing harness and greyhound radio racing service launched in March 2020.

The acquisition expands the Group's radio-led content distribution strategies, expands the Group's owned radio platforms and mass audience reach, and provides opportunities to leverage PNW's national sales team, broadcast rights and content portfolio.

Disposal of 1377AM radio licence

On 1 July 2020, the Group completed the disposal of the 1377AM Melbourne radio broadcasting licence for a cash consideration of $4.478 million.

Fully Underwritten Non-Renounceable Entitlement Offer

In July 2020, the Group successfully completed a fully underwritten pro-rata non-renounceable entitlement offer ("Entitlement Offer") to eligible shareholders. The Entitlement Offer successfully issued 6,782,331 ordinary shares at $0.225 per share, raising $1.526 million in funds (before equity raising costs).

On behalf of the Directors,

Craig Coleman

Chairman

Melbourne, 28 August 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Financial Year Ended 30 June 2020

	Notes	30 June 2020 $'000s	30 June 2019 $'000s
REVENUE	3	**66,785**	67,007
Sales and marketing expenses		**(22,179)**	(20,510)
Occupancy expenses		**(698)**	(1,749)
Administration expenses		**(7,489)**	(10,088)
Technical expenses		**(19,094)**	(17,034)
Production / creative expenses		**(8,902)**	(5,197)
Restructuring costs		**(327)**	(952)
Impairment of intangible assets	5	**(3,366)**	-
Loss on cancellation of intangible assets	5	**(1,556)**	-
Corporate expenses		**(2,332)**	(3,179)
Depreciation and amortisation		**(5,285)**	(2,745)
Finance costs		**(868)**	(488)
Investments accounted for using the equity method		**13**	(229)
EXPENSES		**(72,083)**	(62,171)
(LOSS) / PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS		**(5,298)**	4,836
Income tax benefit / (expense)		**88**	(1,913)
(LOSS) / PROFIT FOR THE YEAR AFTER INCOME TAX FROM CONTINUING OPERATIONS		**(5,210)**	2,923
Profit after income tax expense from discontinued operations	10	**-**	529
(LOSS) / PROFIT FOR THE YEAR AFTER INCOME TAX		**(5,210)**	3,452
Other comprehensive income net of tax		**-**	-
COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		**(5,210)**	3,452

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Financial Year Ended 30 June 2020

	Notes	30 June 2020 $'000s	30 June 2019 $'000s
(LOSS) / EARNINGS PER SHARE FOR (LOSS) / PROFIT FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE OWNERS			
Basic (loss) / earnings (cents per share)	4	(2.55)	1.44
Diluted (loss) / earnings (cents per share)	4	(2.55)	1.39
EARNINGS PER SHARE FOR PROFIT / (LOSS) FROM DISCONTINUING OPERATIONS ATTRIBUTABLE TO THE OWNERS			
Basic earnings (cents per share)	4	-	0.26
Diluted earnings (cents per share)	4	-	0.25
EARNINGS PER SHARE FOR (LOSS) / PROFIT ATTRIBUTABLE TO THE OWNERS			
Basic (loss) / earnings (cents per share)	4	(2.55)	1.70
Diluted (loss) / earnings (cents per share)	4	(2.55)	1.64

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 30 June 2020

	Notes	30 June 2020 $'000s	30 June 2019 $'000s
CURRENT ASSETS			
Cash and cash equivalents		**7,652**	4,934
Trade and other receivables		**7,275**	13,850
Prepayments		**2,733**	2,870
Assets classified as held for sale	**5**	**5,020**	-
TOTAL CURRENT ASSETS		**22,680**	21,654
NON-CURRENT ASSETS			
Property, plant and equipment		**9,838**	6,362
Right-of-use-assets	**6**	**13,266**	-
Deferred tax assets		**1,110**	736
Investments accounted for using the equity method		**951**	938
Intangibles	**5**	**43,007**	39,726
Other non-current assets		**-**	1,375
TOTAL NON-CURRENT ASSETS		**68,172**	49,137
TOTAL ASSETS		**90,852**	70,791
CURRENT LIABILITIES			
Trade and other payables		**10,880**	9,416
Borrowings		**5,913**	101
Lease liabilities	**6**	**936**	-
Income tax payable		**605**	998
Deferred revenue		**416**	404
Provisions		**1,197**	1,625
TOTAL CURRENT LIABILITIES		**19,947**	12,544
NON-CURRENT LIABILITIES			
Borrowings		**8,906**	8,347
Lease liabilities	**6**	**12,613**	-
Deferred tax liability		**6,933**	4,637
Deferred revenue		**578**	978
Provisions		**499**	243
TOTAL NON-CURRENT LIABILITIES		**29,529**	14,205
TOTAL LIABILITIES		**49,476**	26,749
NET ASSETS		**41,376**	44,042
EQUITY			
Issued capital	**7**	**57,209**	54,716
Share-based payment reserve		**992**	941
Accumulated losses		**(16,825)**	(11,615)
TOTAL EQUITY		**41,376**	44,042

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

Consolidated Statement of Changes in Equity for the Financial Year Ended 30 June 2020

	Notes	Issued Capital $'000s	Share Based Payment Reserve $'000s	Accumulated Losses $'000s	Total $'000s
TOTAL EQUITY AT 1 JULY 2019		**54,716**	**941**	**(11,615)**	**44,042**
Loss after income tax		**-**	**-**	**(5,210)**	**(5,210)**
Other comprehensive income		**-**	**-**	**-**	**-**
Total comprehensive income		**-**	**-**	**(5,210)**	**(5,210)**
Transactions with owners in their capacity as owners					
Issue of share capital	**7**	**2,506**	**(31)**	**-**	**2,475**
Share issue costs	**7**	**(13)**	**-**	**-**	**(13)**
Share Based Payments		**-**	**82**	**-**	**82**
TOTAL EQUITY AT 30 JUNE 2020		**57,209**	**992**	**(16,825)**	**41,376**
TOTAL EQUITY AT 1 JULY 2018		54,642	748	(15,634)	39,756
Profit after income tax		-	-	3,452	3,452
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	3,452	3,452
Transactions with owners in their capacity as owners					
Issue of share capital	**7**	74	-	-	74
Transfer of lapsed and exercised share options		-	(567)	567	-
Share Based Payments		-	760	-	760
TOTAL EQUITY AT 30 JUNE 2019		54,716	941	(11,615)	44,042

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

Consolidated Statement of Cash Flows for the Financial Year Ended 30 June 2020

	Notes	30 June 2020 $'000s	30 June 2019 $'000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**74,065**	70,033
Payments to suppliers and employees (inclusive of GST)		**(61,521)**	(65,256)
JobKeeper program funding received		**1,620**	-
Interest received		**2**	11
Interest and other costs of finance paid		**(478)**	(488)
Interest on lease liabilities		**(390)**	-
Income taxes paid		**(1,230)**	(960)
Net operating cash flows provided by operating activities		**12,068**	3,340
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		**(2,748)**	(3,358)
Payment for intangible assets – radio licences		**(5,941)**	(1,375)
Payment for intangible assets – computer software		**(158)**	(423)
Payment for the acquisition of AFL Record		**(1,752)**	(2,238)
Payment for the acquisition of Rapid TV	**9**	**(2,223)**	-
Payment for the acquisition of Precision Talent	**9**	**(500)**	-
Payment for the acquisition of Lifestyle1	**9**	**(73)**	-
Payment for the acquisition of Spirit Bunbury 621AM	**9**	**(3,220)**	-
Payments for the investment in an associate		**-**	(1,000)
Proceeds from the disposal of subsidiary	**10**	**-**	1,953
Net cash used in by investing activities		**(16,615)**	(6,441)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	**7**	**1,975**	74
Payment of share issues costs	**7**	**(13)**	-
Proceeds from borrowings		**6,618**	2,800
Repayment of borrowings		**(267)**	(2,820)
Repayment of lease liabilities		**(1,048)**	-
Net cash provided by financing activities		**7,265**	54
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,718**	(3,047)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**4,934**	7,981
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**7,652**	4,934

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

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2020

1. Summary of Significant Accounting Policies

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

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 2019 Annual Financial Report, the December 2019 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 2019 except for the adoption of AASB 16 Leases. The impact of the adoption of AASB16 Leases has been disclosed in Note 2.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives. Technically obsolete or non-strategic assets that are abandoned or sold will be written off or written down.

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2020

1. Summary of Significant Accounting Policies cont'd

Critical Accounting Judgements and Key Sources of Estimation Uncertainty cont'd

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 5. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Business combinations

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

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

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2020

1. Summary of Significant Accounting Policies cont'd

Critical Accounting Judgements and Key Sources of Estimation Uncertainty cont'd

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising Pacific Star Network Limited (the parent entity) and all entities that the parent entity controlled from time to time during the year and at reporting date.

The financial statements of controlled entities are prepared for the same reporting year as the parent entity, using consistent accounting policies.

All intercompany balances and transactions have been eliminated in full.

2. Changes in Accounting Policies

The Group has adopted AASB 16 *Leases* from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets and an interest expense on the recognised lease liabilities (included in finance costs).

The group has adopted AASB 16 using the modified retrospective approach from 1 July 2019, as such has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The impact on the financial performance and position of the consolidated entity from the adoption of AASB 16 is detailed in note 2 (c) and (d).

a) Right of use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2020

2. Changes in Accounting Policies cont'd

b) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

c) Impact on transition

On transition to AASB 16, the Group recognised the right-of-use assets and lease liabilities. The impact on transition is summarised below.

	1 July 2019 $'000s
Right-of-use assets	**12,859**
Lease liabilities	**(12,592)**
Make good provision	**(267)**

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 3.43%.

	1 July 2019 $'000s
Operating lease commitments disclosed as at 30 June 2019	6,441
Discounted using the incremental borrowing rate of at the date of initial application	(2,487)
Add: adjustments as a result of a different treatment of extension and termination options	8,638
Lease liability recognised as at 1 July 2019	**12,592**
Being:	
- Current lease liabilities	**1,268**
- Non-current lease liabilities	**11,324**
	12,592

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2020

2. Changes in Accounting Policies cont'd

d) Impact on Consolidated Statement of Profit or Loss and Other Comprehensive Income

The impact on the consolidated profit or loss for the year ended 30 June 2020 as a result of the adoption of the new leases standard is set out below. The "Historical" profit or loss reflects the trading results of the Group prepared in accordance with the previous leasing standard AASB 117. The "Reported" profit or loss reflects the trading results of the Group as reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, prepared in accordance with the new leasing standard AASB 16.

	Historical $'000s	Impact $'000s	Reported $'000s
Revenue	**66,785**	**-**	**66,785**
Sales and marketing expenses	(22,179)	-	(22,179)
Occupancy expenses	(2,003)	1,305	(698)
Administration expenses	(7,489)	-	(7,489)
Technical expenses	(19,094)	-	(19,094)
Production / creative expenses	(9,209)	307	(8,902)
Restructuring costs	(327)	-	(327)
Impairment of intangibles assets	(3,366)	-	(3,366)
Loss on disposal of intangible assets	(1,556)	-	(1,556)
Corporate expenses	(2,332)	-	(2,332)
Depreciation and amortisation	(3,688)	(1,597)	(5,285)
Finance costs	(478)	(390)	(868)
Loss on investments accounted for using the equity method	13	-	13
Expenses	**(71,708)**	**(375)**	**(72,083)**
Loss before income tax from continuing operations	**(4,923)**	**(375)**	**(5,298)**
Income tax benefit	88	-	88
Loss after income tax from continuing operations	**(4,835)**	**(375)**	**(5,210)**
Profit after income tax expense from discontinued operations	-	-	-
Loss for the financial year after income tax	**(4,835)**	**(375)**	**(5,210)**

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2020

3. Revenue from Continuing Activities

	30 June 2020 $'000s	30 June 2019 $'000s
Revenue from contracts with customers		
Media revenue	**53,959**	55,411
Complementary services revenue	**11,062**	11,428
	65,021	66,839
Other revenue		
Interest revenue	**2**	12
Other revenue	**142**	156
Government grants (JobKeeper payments)	**1,620**	-
	1,764	168
Revenue from continuing operations	**66,785**	67,007

4. Earnings per Share

Basic and diluted earnings / (loss) per Share

The profit / (loss) and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

Weighted average number of ordinary shares on issued for calculation of:	2020 No. '000s	2019 No. '000s
Basic ordinary shares	**204,504**	202,895
Diluted ordinary shares	**204,504**	209,534

	$'000s	$'000s
Continued operations		
(Loss) / Profit for the year	**(5,210)**	2,923
Basic (loss) / earnings (cents per share)	**(2.55)**	1.44
Diluted (loss) / earnings (cents per share)	**(2.55)**	1.39
Discontinued operations		
Profit for the year	**-**	529
Basic earnings (cents per share)	**-**	0.26
Diluted earnings (cents per share)	**-**	0.25
Total operations		
(Loss) / Profit for the year	**(5,210)**	3,452
Basic (loss) / earnings (cents per share)	**(2.55)**	1.70
Diluted (loss) / earnings (cents per share)	**(2.55)**	1.64

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2020

5. Intangible Assets

	30 June 2020 $'000s	30 June 2019 $'000s
Broadcasting & Media		
Goodwill – indefinite useful life	**8,283**	8,358
Radio licences - indefinite useful life	**6,293**	8,169
Patents and trademarks – indefinite useful life	**138**	132
Broadcast rights – finite useful life	**8,242**	9,280
Broadcast rights – amortisation	**(1,854)**	(1,160)
	6,388	8,120
Supplier relationships – finite useful life	**6,467**	7,437
Supplier relationships – amortisation	**(1,455)**	(930)
	5,012	6,507
Website and computer software – finite useful life	**1,519**	658
Website and computer software – amortisation	**(435)**	(176)
	1,084	482
Total Broadcasting & Media	**27,198**	31,768
Regional Radio Licences – Dormant		
Radio licences– indefinite useful life	**4,172**	-
Total Regional Radio Licences - Dormant	**4,172**	-
Publications		
Goodwill – indefinite useful life	**2,468**	-
Brand and distribution rights – indefinite useful life	**7,958**	7,958
Total Publications	**10,426**	7,958
Complementary Services – Precision Talent Management		
Talent contracts – finite useful life	**1,429**	-
Talent contracts - amortisation	**(218)**	-
	1,211	-
Total Complementary Services – Precision Talent Management	**1,211**	-
Total Intangibles	**43,007**	39,726

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2020

5. Intangible Assets cont'd

a) Reconciliation of net book value

Net Book Value	Goodwill $'000s	Brand and distribution rights $'000s	Radio licences $'000s	Broadcast rights $'000s	Supplier relationships $'000s	Talent Contracts $'000s	Patents and Trademarks $'000s	Mastheads $'000s	Websites and Computer software $'000s	Total $'000s
Balance at 1 July 2019	8,358	7,958	8,169	8,120	6,507	-	132	-	482	39,726
Acquired on business combination	5,759	-	-	-	-	1,429	-	-	-	7,188
Additions	-	-	7,316	-	-	-	5	-	861	8,182
Cancellation [1]	-	-	-	(805)	(751)	-	-	-	-	(1,556)
Amortisation	-	-	-	(927)	(743)	(218)	-	-	(259)	(2,147)
Impairment	(3,366)	-	-	-	-	-	-	-	-	(3,366)
Reclassifications - held for sale [2]	-	-	(5,020)	-	-	-	-	-	-	(5,020)
Balance at 30 June 2020	**10,751**	**7,958**	**10,465**	**6,388**	**5,013**	**1,211**	**137**	**-**	**1,084**	**43,007**

[1] On 5 May 2020, a syndication agreement was mutually terminated with Nine Radio (formerly Macquarie Media) which included National Rugby League (NRL) radio broadcasting rights. The intangible assets recognised for broadcast rights and supplier relationships from the acquisition of Crocmedia Pty Ltd in March 2018 has therefore been derecognised and expensed to the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

[2] At 30 June 2020, the 1377AM Melbourne radio broadcasting licence held by the Group was reclassified as held for sale. On 1 July 2020, the Group completed the disposal of the radio broadcasting licence for a sale consideration of $4.478 million.

Net Book Value	Goodwill $'000s	Brand and distribution rights $'000s	Radio licences $'000s	Broadcast rights $'000s	Supplier relationships $'000s	Talent Contracts $'000s	Patents and Trademarks $'000s	Mastheads $'000s	Websites and Computer software $'000s	Total $'000s
Balance at 1 July 2018	8,358	-	8,169	9,046	7,252	-	122	1,280	163	34,390
Acquired on business combination	-	7,958	-	-	-	-	-	-	-	7,958
Additions	-	-	-	-	-	-	10	-	413	423
Impairment	-	-	-	-	-	-	-	(1,280)	-	(1,280)
Amortisation	-	-	-	(926)	(745)	-	-	-	(94)	(1,765)
Balance at 30 June 2019	**8,358**	**7,958**	**8,169**	**8,120**	**6,507**	**-**	**132**	**-**	**482**	**39,726**

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2020

5. Intangible Assets cont'd

b) Recognition and Measurement

Intangible assets with an indefinite useful life

Radio licences

Radio licences are stated at cost. Analogue licences are renewed for a minimal cost every five years under the provisions of the Broadcasting Services Act 1992. Licences are a tradeable commodity and have an underlying value, which is ultimately determined by agreement between vendor and purchaser. Directors understand that the revocation of a radio licence has never occurred in Australia and have no reason to believe the licences have a finite life. These licences are not amortised since in the opinion of the Directors the licences have an indefinite useful life.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses.

Patents and trademarks

Patents and trademarks are not amortised as they are determined to relate to the indefinite useful life of the radio licences.

Brand and distribution rights

Brand and distribution rights is carried at cost. The rights provide the Group access to the usage of the AFL brand for the publication of AFL Record, and access to all stadia where AFL fixtures are held for the sale of the publications. Brand and distribution rights acquired through the purchase of the AFL Publications business have been assessed as having indefinite useful lives. This assessment reflects the purchase agreement which stipulates that the rights to branding and distribution will be ongoing whilst the publication continues to be in circulation. Management's intention is to continue to utilise these rights into the foreseeable future.

Intangible assets with an indefinite useful life are tested for impairment annually and at each reporting date to assess whether there is an indication that the carrying value may be impaired.

Intangible assets with a finite useful life

Intangible assets with a finite life such as websites, computer software, supplier relationships, customer relationships, talent contracts, and broadcast rights are amortised on a systematic basis over their expected useful life.

The following estimated useful life is used in determining the amortisation cost for tangible assets with a finite life:

- Websites – 5 years
- Computer software – 5 years
- Supplier relationships – 10 years
- Talent contracts – 6 years
- Broadcast rights – 10 years

The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss and Other Comprehensive Income in the line item 'Depreciation and amortisation'.

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2020

5. Intangible Assets cont'd

c) Intangible Asset Impairment

Goodwill and intangible assets with an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

Other intangible assets are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or groups of assets (cash generating units).

Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis and an assessment of the recoverable amount of the intangible is made each reporting period to ensure this is not less than its carrying amount.

Intangibles are tested annually for impairment at CGU level. Intangibles have been allocated to three CGUs for impairment testing as follows:

2020	**Radio Licences $'000s**	**Goodwill $'000s**	**Patents and Trademarks $'000s**	**Brand and distribution rights $'000s**	**Total $'000s**
Broadcasting & Media	**8,912**	**11,649**	**138**	**-**	**20,699**
Regional Radio Licences	**4,172**	**-**	**-**	**-**	**4,172**
Publications	**-**	**2,468**	**-**	**7,958**	**10,426**
	13,084	**14,117**	**138**	**7,958**	**35,297**

2019	Radio Licences $'000s	Goodwill $'000s	Patents and Trademarks $'000s	Brand and distribution rights $'000s	Total $'000s
Broadcast & Media	8,169	8,358	132	-	16,659
Regional Radio Licences	-	-	-	-	-
Publications	-	-	-	7,958	7,958
	8,169	8,358	132	7,958	24,617

Intangibles are tested annually for impairment at CGU level and the recoverable amount of the Broadcasting and Media, and the Publications CGUs have been determined based on the value in use method. The recoverable amount of Regional Radio Licences have been determined based on fair value less cost of disposal ("FVLCD").

The recoverable amount of the Broadcasting & Media CGUs has been determined based on value in use calculations, using a discounted cash flow methodology which requires the use of assumptions. The calculations use cash flow projections based on the annual budget and adjusted cash flow forecasts for up to five years. Cash flows beyond the forecast period are extrapolated using the estimated growth rates stated below.

The Group considered the following three scenarios, each carrying a probability weighting to determine a recoverable amount:

- Base case – The Group's budgeted Underlying EBITDA for the year ending 30 June 2021
- Lower case – A % reduction applied against the Base case revenue budgeted
- Worst case - A further % reduction applied against the Base case revenue budgeted

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2020

5. Intangible Assets cont'd

c) Intangible Asset Impairment cont'd

The key assumptions under each scenario are as follows:

Broadcasting & Media CGU

Key assumption	Worst Case	Lower Case	Base Case
Approach	Base case less a reduction on revenue from 30% in Year 1, improving over Years 2, 3, and 4 before a 10% reduction to revenue in Year 5.	Base case less a reduction on revenue from 20% in Year 1, improving over Years 2, 3, and 4 before a 5% reduction to revenue in Year 5.	Based on the Group's budget for the Media & Content CGU on management's forecasts and using assumptions around the impact of COVID-19, market growth, market share, and adjusting for past performances and market trends.
Long term growth rate	2.00%	2.00%	2.00%
Terminal growth rate	1.50%	1.50%	1.50%
Discount rate (post-tax)	10.78%	10.78%	10.78%
Probability weighting	10%	30%	60%
Headroom / (Deficit)	$(46.445) million	$(17.293) million	$10.777 million
Probability weighted Deficit			$(3.366) million

The Group determined that as a result of the Value in Use methodology, a probability weighted deficit of value in use when compared to the Carrying Value of the Broadcasting & Media CGU. Accordingly, an impairment expense of $3.366 million was recognised in the statement of profit or loss and other comprehensive income in the line item 'Impairment of intangible assets' for the year ended 30 June 2020.

Publications CGU

Key assumption	Worst Case	Lower Case	Base Case
Approach	Base case less a reduction on revenue from 30% in Year 1, improving over Years 2, 3, and 4 before a 10% reduction to revenue in Year 5.	Base case less a reduction on revenue from 20% in Year 1, improving over Years 2, 3, and 4 before a 5% reduction to revenue in Year 5.	Based on the Group's budget for the Publications CGU on management's forecasts and using assumptions around the impact of COVID-19, market growth, market share, and adjusting for past performances and market trends.
Long term growth rate	2.00%	2.00%	2.00%
Terminal growth rate	1.50%	1.50%	1.50%
Discount rate (post-tax)	10.78%	10.78%	10.78%
Probability weighting	10%	30%	60%
Headroom / (Deficit)	$(1.025) million	$3.619 million	$11.970 million
Probability weighted Deficit			$8.165 million

The Group concluded the recoverable amount resulting from the value in use methodology is appropriate in supporting the carrying value of the Publications CGU and no impairment was recognised for the year ended 30 June 2020.

Regional Radio Licences

The recoverable amount for the Regional Radio Licences CGU has been determined based on the Fair Value Less Cost of Disposal method. As the licences are not currently generating their own cash flows, and were only recently acquired in the financial year ended 30 June 2020, management have determined that Fair Value Less Cost of Disposal ("FVCLD") as the appropriate method of valuation until the licences are activated and generating cash flows.

The Group determined, and concluded the recoverable amount resulting from the FVLCD methodology is appropriate in supporting the carrying value of the Regional Radio Licence CGU and no impairment was recognised for the year ended 30 June 2020.

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2020

6. Right-of-use assets and lease liabilities

The group has adopted AASB 16 using the modified retrospective approach from 1 July 2019, as such has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard.

The Group leases various property across Australia. The non-cancellable period for these leases is generally between 1 – 10 years.

Extension options are included in a number of the Group's lease agreements, which are used to maximise operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group does not have any options to purchase leased assets. Increases clauses are in line with market practices and include inflation-linked, fixed rates, resets to market rents and hybrids of these.

The carrying value of the right-of-use assets and lease liabilities is presented below:

a) Right-of-use assets

	Premises $'000s	Transmitter sites $'000s	Total $'000s
Balance at 1 July 2019			
Cost	12,076	783	12,859
Accumulated depreciation	-	-	-
Carrying value	12,076	783	12,859
Opening carrying value	-	-	-
Adoption of AASB 16 [1]	12,076	783	12,859
Additions, modifications and other reassessments of leases	608	1,396	2,004
Depreciation	(1,359)	(238)	(1,597)
Closing carrying value	11,325	1,941	13,266
Balance at 30 June 2020			
Cost	**12,684**	**2,179**	**14,863**
Accumulated depreciation	**(1,359)**	**(238)**	**(1,597)**
Carrying value	**11,325**	**1,941**	**13,266**

[1] Refer to note 2 for details related to the opening balances arising from the adoption of AASB 16 *Leases*.

b) Lease liabilities

	Premises $'000s	Transmitter sites $'000s	Total $'000s
Current	**695**	**241**	**936**
Non-current	**10,893**	**1,720**	**12,613**
Total	**11,588**	**1,961**	**13,549**
Balance at 1 July 2019	**-**	**-**	-
Adoption of AASB 16 [1]	11,810	782	12,592
New and modified leases	608	1,397	2,005
Cash payments	(1,165)	(273)	(1,438)
Interest expense	335	55	390
Balance at 30 June 2020	11,588	1,961	13,549

[1] Refer to note 2 for details related to the opening balances arising from the adoption of AASB 16 *Leases*.

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2020

7. Equity Securities Issued

Issue of Ordinary Shares during the year

	2020 No.	2019 No.
Number of shares on issue	**213,604,963**	202,941,469
	$'000s	$'000s
Total amount paid on these shares	**57,209**	54,716

	2020		2019	
	No. '000s	**$'000s**	No. '000s	$'000s
Fully Paid Ordinary Share Capital				
Balance at beginning of financial year	**202,941**	**54,716**	202,691	54,642
Issue of shares – EEIP	**100**	**31**	250	74
Issue of shares – Business Combination	**1,786**	**500**	-	-
Issue of shares – Placement	**8,778**	**1,975**	-	-
Share issue costs	**-**	**(13)**	-	-
Total issued shares during the year	**10,664**	**2,493**	250	74
Balance at the end of the year	**213,605**	**57,209**	202,941	54,716

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2020

8. Segment Information

The company operates in the Media industry in Australia.

There are three operating segments – media, complementary services, and head office.

AASB 8 requires operating segments to be disclosed in a manner that reflects the management information reviewed by the CODM. The financial performance of each segment is reviewed by CODM at the level of earnings before interest, tax, depreciation and amortisation (EBITDA), pre AASB 16 Leases adjustments

Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. Accordingly, reporting segments have been determined based on business and cash generating units at the reporting date, as this forms the basis of reporting to the Board (CODM).

Unallocated items

Income tax expense is not allocated to operating segments as it is not considered part of the core operations of any segment.

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board, being the chief operating decision-makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Company.

Intersegment transactions

Internally determined management fees are set for intersegment activities and all such transactions are eliminated on consolidation of the financial statements.

	Media	**Complem-entary**	**Head Office**	**Total**
30 June 2020	**$'000s**	**$'000s**	**$'000s**	**$'000s**
Segment Revenue	**53,959**	**11,062**	**1,764**	**66,785**
Underlying EBITDA pre AASB 16	**7,116**	**302**	**(2,928)**	**4,490**
Rent expense adjustment from AASB 16	**307**	**-**	**1,305**	**1,612**
Depreciation & Amortisation	**(552)**	**(219)**	**(4,514)**	**(5,285)**
Earnings before interest, tax & significant items	**6,871**	**83**	**(6,137)**	**817**
Net finance cost	**-**	**-**	**(866)**	**(866)**
Significant / restructuring costs	**(4,940)**	**-**	**(309)**	**(5,249)**
Segment profit / (loss) before tax	**1,931**	**83**	**(7,312)**	**(5,298)**

	Media[1]	Complem-entary	Head Office	Total
30 June 2019	$'000s	$'000s	$'000s	$'000s
Segment Revenue	55,411	11,428	168	67,007
Underlying EBITDA	16,350	1,904	(9,245)	9,009
Depreciation & Amortisation	(396)	(1)	(2,348)	(2,745)
Earnings before interest, tax & significant items	15,954	1,903	(11,593)	6,264
Net finance cost	(3)	(1)	(472)	(476)
Restructuring costs	(8)	-	(944)	(952)
Segment profit / (loss) before tax	15,943	1,902	(13,009)	4,836

[1] Excludes discontinued operations segment revenue of $0.879 million and segment profit before tax of $0.529 million recorded through the discontinued operations of Morrison Media.

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2020

9. Business Combinations

Rapid TV

On 19 July 2019, the Group acquired 100% of Rapid TV Pty Ltd and Rapid TV Broadcast Pty Ltd for a cash consideration of $2.223 million, deferred contingent consideration of up to $0.400 million in cash and an issuance of 600,000 performance rights to acquire the fully paid ordinary shares in the Company, both of which have been determined to be performance incentives and do not form a component of the purchase consideration. The deferred contingent consideration and the exercising of the performance rights are subject to the achievement of performance targets during the first twelve months following acquisition, and a service period of 24 months.

Rapid TV provides live satellite and internet-based vision transfer services through state-of-the-art facilities, in Australia and internationally and will integrate seamlessly with the Group's Rainmaker division providing dedicated television production services to both broadcasters and brands, including production, filming, editing, talent sourcing and delivery.

Details of the purchase consideration, and finalised fair values of the net assets acquired and goodwill at the date of acquisition are as follows:

	Fair Value $'000s
Fair Values of assets and liabilities assumed at the date of acquisition	
Property, plant and equipment	1,887
Net Identifiable Assets Acquired	**1,887**

Settlement of purchase consideration	**$'000s**
Cash paid	2,223
Purchase consideration	**2,223**

The goodwill arising on the acquisition was as follows:

	$'000s
Purchase consideration	2,223
Less: fair value of net identifiable assets acquired	(1,887)
Goodwill arising on acquisition	**336**

An amount of $0.012 million for the year ended 30 June 2020 has been recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income in the significant/restructuring costs line item relating to once-off legal, due diligence, corporate advisory and independent report costs incurred in completing the acquisition.

The acquired business contributed reduced production costs in the Rainmaker TV content division, however a direct contribution to the Group's net profit is not determinable for the year.

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2020

9. Business Combinations cont'd

Precision Talent Management

On 21 August 2019, the Group completed the acquisition of 100% of the business assets in Precision Talent Management Pty Ltd for a total consideration of $1.000 million. The effective date where the Group obtained control of the business was 1 August 2019. The purchase price was funded, 50% from existing cash reserves, and 50% from PNW scrip.

Precision aligns with the Group's 'Whole of Sport' offering, representing over 80 past and present AFL and AFLW players and coaches, cricketers and other media talent.

Details of the purchase consideration, and finalised fair values of the net assets acquired and goodwill at the date of acquisition are as follows:

	Fair Value $'000s
Fair Values of assets and liabilities assumed at the date of acquisition	
Intangibles – Talent Contracts	1,429
Deferred tax liabilities	(429)
Net Identifiable Assets Acquired	**1,000**

Settlement of purchase consideration	**$'000s**
Cash paid	500
Equity instruments (1,785,716 shares)	500
Purchase consideration	**1,000**

The goodwill arising on the acquisition was as follows:

	$'000s
Purchase consideration – shares issued	500
Purchase consideration – cash	500
Less: Fair value of identifiable assets	-
Less: Fair value of intangible contracts acquired – Talent Contracts	(1,429)
Add: Deferred tax liability – on intangibles recognised	429
Goodwill arising on acquisition	**-**

An amount of $0.029 million for the year ended 30 June 2020 has been recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income in the significant/restructuring costs line item relating to once-off legal, due diligence, corporate advisory and independent report costs incurred in completing the acquisition.

The acquired business contributed revenues of $0.648 million and net profit after tax of $ 0.204 million for the eleven months to 30 June 2020. Had the business combination occurred as of the beginning of the reporting period, the results would not have been materially different.

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2020

9. Business Combinations cont'd

Lifestyle1

On 20 January 2020, the Group completed the acquisition of 100% of the business assets in the Lifestyle1 publishing business for a total cash consideration of $0.080 million, with $0.046 million paid in December 2019, and the balance paid upon completion.

Details of the purchase consideration, and finalised fair values of the net assets acquired and goodwill at the date of acquisition are as follows:

	Fair Value $'000s
Fair Values of assets and liabilities assumed at the date of acquisition	
Property, plant and equipment	17
Provision for employee entitlements	(25)
Net Identifiable Liabilities Acquired	**(8)**

Settlement of purchase consideration	**$'000s**
Purchase price	80
Purchase price adjustments	(7)
Purchase consideration	**73**

The finalised goodwill arising on the acquisition was as follows:

	$'000s
Purchase consideration	73
Add: fair value of net identifiable liabilities acquired	8
Goodwill arising on acquisition	**81**

An amount of $0.015 million for the year ended 30 June 2020 has been recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income in the significant/restructuring costs line item relating to once-off legal, due diligence, corporate advisory and independent report costs incurred in completing the acquisition.

The acquired business contributed revenues of $0.265 million and net profit after tax of $ 0.013 million for the five months to 30 June 2020. Had the business combination occurred as of the beginning of the reporting period, the business would have contributed approximately $0.636 million in revenues and net profit after tax of $0.030 million.

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2020

9. Business Combinations cont'd

Spirit Bunbury

On 1 May 2020, the Group acquired 100% of the business assets in the Spirit 621AM Bunbury business for a total cash consideration of $3.220 million net of purchase price adjustments, paid upon completion.

The Bunbury and South West area which Spirit broadcasts into, represents the largest population in Western Australia outside of Perth. The region contains an extensive selection of commercial and community enterprises. The acquisition of Spirit aligns with PNW's radio-led content distribution strategies, expands the Group's owned radio platforms and mass audience reach, and provides opportunities to leverage PNW's national sales team, broadcast rights and content portfolio.

Details of the purchase consideration, and provisional fair values of the net assets acquired and goodwill at the date of acquisition are as follows:

	Fair Value $'000s
Fair Values of assets and liabilities assumed at the date of acquisition	
Property, plant and equipment	288
Deferred tax assets (on employee benefits)	4
Right-of-use assets	179
Provision for employee entitlements	(13)
Deferred revenue	(14)
Lease liabilities	(179)
Net Identifiable Assets Acquired	**265**

Settlement of purchase consideration	**$'000s**
Purchase price	3,243
Purchase price adjustments	(23)
Purchase consideration	**3,220**

The Group have identified intangible assets of a radio licence and customer relationships for which fair values have not yet been determined. The values of the radio licence and customer relationships identified are currently included in the provisional goodwill noted below and will be separated when the provisional accounting is finalised.

The Group will finalise its fair value assessment for the acquisition of Spirit Bunbury in the financial statements of the Group for the year ending 30 June 2021.

The provisional goodwill arising on the acquisition was as follows:

	$'000s
Purchase consideration	3,220
Less: provisional value of net identifiable assets acquired	(265)
Provisional goodwill arising on acquisition	**2,955**

An amount of $0.054 million for the year ended 30 June 2020 has been recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income in the significant/restructuring costs line item relating to once-off legal, due diligence, corporate advisory and independent report costs incurred in completing the acquisition.

The acquired business contributed revenues of $0.118 million and net profit after tax of $ 0.061 million for the two months to 30 June 2020. Had the business combination occurred as of the beginning of the reporting period, the business would have contributed approximately $0.496 million in revenues and net profit after tax of $0.256 million.

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2020

10. Discontinued Operations

On 13 September 2018, the Group sold 100% of the Morrison Media Services Pty Ltd business which created the Frankie Press and Smith Journal publications. Total sale consideration was $2.400 million less working capital adjustments with 70% payable on completion ($1.233 million received) and 30% on 28 June 2019 ($0.720 million received). The proceeds of sale exceeded the carrying amount of the related net assets and, accordingly, a profit on sale was recognised.

The disposal aligns with the Group's strategic direction focusing on sport related content and complementary assets.

The disposal was completed on 13 September 2018, on which date control of the Frankie Press and Smith Journal operations passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of profit on disposal, are disclosed below.

	30 June 2019 $'000s
Details of the Disposal	
Total sale consideration	**2,400**
Carrying amount of net assets disposed	**(1,525)**
Disposal costs	**(369)**
Profit on sale before income tax	**506**
Income tax expense	**-**
Profit on sale after income tax	**506**
Carrying amounts of assets and liabilities disposed	
Inventories	**81**
Property, Plant and Equipment	**164**
Trade and other payables – deferred consideration	**1,280**
Total Assets	**1,525**
Net Assets	**1,525**

	30 June 2020 $'000s	30 June 2019 $'000s
Cash flow information		
Net increase in cash from operating activities	-	86
Net increase in cash from investing activities	-	1,953
Net (decrease) in cash from financing activities	-	(2,587)
Net (decrease) in cash and cash equivalents from discontinued operations	-	(548)

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2020

10. Discontinued Operations cont'd

	30 June 2020 $'000s	30 June 2019 $'000s
Financial performance information		
Revenue	-	879
Sales and marketing expenses	-	(132)
Occupancy expenses	-	(15)
Administration expenses	-	(510)
Technical expenses	-	(76)
Restructuring costs	-	(92)
Production / creative expenses	-	-
Depreciation and amortisation	-	(21)
Total Expenses	-	(846)
Profit before income tax expenses	-	33
Income tax expense	-	(10)
Profit after income expense	-	23
Profit on disposal before income tax expense	-	506
Income tax expense	-	-
Profit on disposal after income tax expense	-	506
Profit after income tax expense from discontinued operations	-	529

11. Dividends Paid and Proposed

In light of the difficult circumstances surrounding the COVID-19 pandemic, the Directors' have taken the decision to not pay a final dividend.

The Directors' have formed the view that this will assist the Group to continue to strengthen working capital during the ongoing financial impact caused by the COVID-19 pandemic.

12. Contingent Assets and Liabilities

As at the reporting date, the Group is in continued negotiations with the Australian Football League with a view to a reduction to the radio broadcast licensing fees payable to the Australia Football League (AFL) for the 2020 AFL Season. As a result of COVID-19, the regular AFL season has been significantly reduced from a 23 round regular season played out from March to August, to a condensed 17 round regular season being played between June and September.

Similarly, the Group is also currently negotiating potential adjustments to corporate suite lease fees as a result of the significant effect that COVID-19 has had on the 2020 Australian sporting events including the AFL, NRL, and A League. Negotiations are currently taking place with the relevant stadium owners and operators across Australia.

The likelihood of successful outcomes for the Group on corporate suite facility fees, and AFL radio broadcasting is probable, however an estimated receivable cannot be reliably estimated. No asset has been recognised within these financial statements.

Other than the above noted contingencies, there were no material claims or disputes of a contingent nature against the Company and its subsidiaries.

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2020

13. Changes in the composition of the consolidated entity

Other than the acquisition and disposal of the following businesses, which are noted elsewhere in this report, there were no changes in the composition of the consolidated entity:

- Acquisition of 100% of the issued capital in Rapid TV Pty Ltd and Rapid Broadcast Pty Ltd on 19 July 2019.
- Acquisition of 100% of the Precision Talent Management business on 1 August 2019.
- Acquisition of 100% of the Lifestyle1 business on 20 January 2020.
- Acquisition of 100% of the Spirit 621AM radio station business on 1 May 2020.

14. Related Party Disclosures

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

15. Audit

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

16. Events subsequent to the reporting date

Acquisition of 2CH

On 1 July 2020, the Group acquired 100% of the shares in EON 2CH Pty Ltd (EON), for a cash consideration of $5.000 million upon completion on 1 July 2020, and a scrip consideration of $2.250 million in fully paid ordinary shares in the Company.

EON is the owner of all the shares in the licensee of the 2CH 1170AM radio broadcasting licences in Sydney, NSW. 2CH operates a music broadcast format with 3.8% audience share in metropolitan Sydney, NSW, Australia's largest radio advertising market. The acquisition expands the Group's owned radio platform and audience reach into Sydney.

Acquisition of radio licences

On 1 July 2020, the Group acquired three narrowband area radio licences for a cash consideration of $2.218 million upon completion on 1 July 2020, deferred consideration of $4.893 million in cash payable over eight quarterly instalments, with the final instalment payable on 1 July 2022.

The narrowband radio licences acquired are 1539AM Sydney, 1593AM Melbourne and 90.7FM Darwin, and will form part of SENTrack, Australia's first independent racing harness and greyhound radio racing service launched in March 2020.

The acquisition expands the Group's radio-led content distribution strategies, expands the Group's owned radio platforms and mass audience reach, and provides opportunities to leverage PNW's national sales team, broadcast rights and content portfolio.

Disposal of 1377AM radio licence

On 1 July 2020, the Group completed the disposal of the 1377AM Melbourne radio broadcasting licence for a cash consideration of $4.478 million.

Fully Underwritten Non-Renounceable Entitlement Offer

In July 2020, the Group successfully completed a fully underwritten pro-rata non-renounceable entitlement offer ("Entitlement Offer") to eligible shareholders. The Entitlement Offer successfully issued 6,782,331 ordinary shares at $0.225 per share, raising $1.526 million in funds (before equity raising costs).